CER Residential Natural Gas results

The Research Perspective

Prepared by The Research Perspective Ltd
On behalf of The Commission for Energy Regulation
May 2013

Background

- Survey was conducted during March 2013
  - Questionnaire length was 15-20 minutes
- Survey data collection methodology was 'face to face' interviewing, administered in the respondent's home - 1011 respondents interviewed
  - A total of 100 sampling points throughout natural gas network in the Republic of Ireland
  - 2010 survey used Computer Aided Telephone interviewing and comparability should be carefully considered
- Sample is representative across geography, gender, age, socio-economic status
- Survey mirrors the current electricity market survey

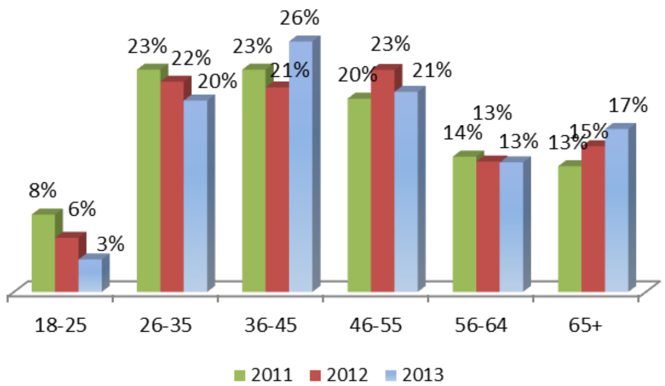
Notes on results presented

- Percentage breakdowns are rounded to the nearest whole number to retain accuracy of results. This means that figures presented on charts may not sum to 100% due to rounding

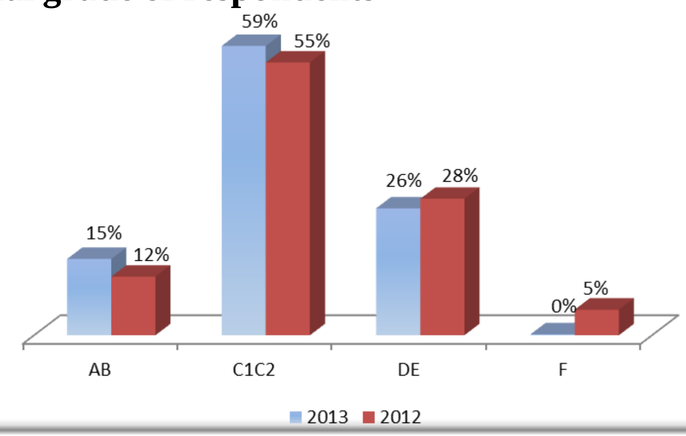
RESPONDENT PROFILE

Respondent profile – age, social class, location

Age profile of respondents



Social grade of respondents

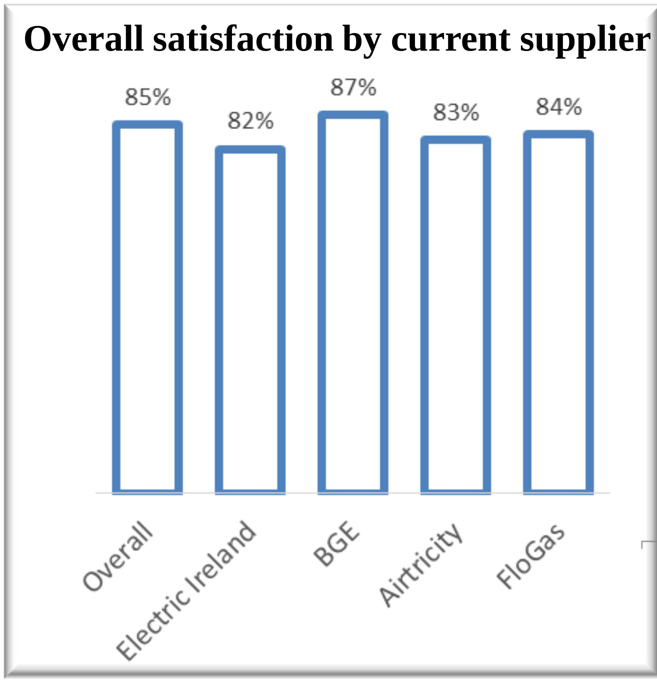


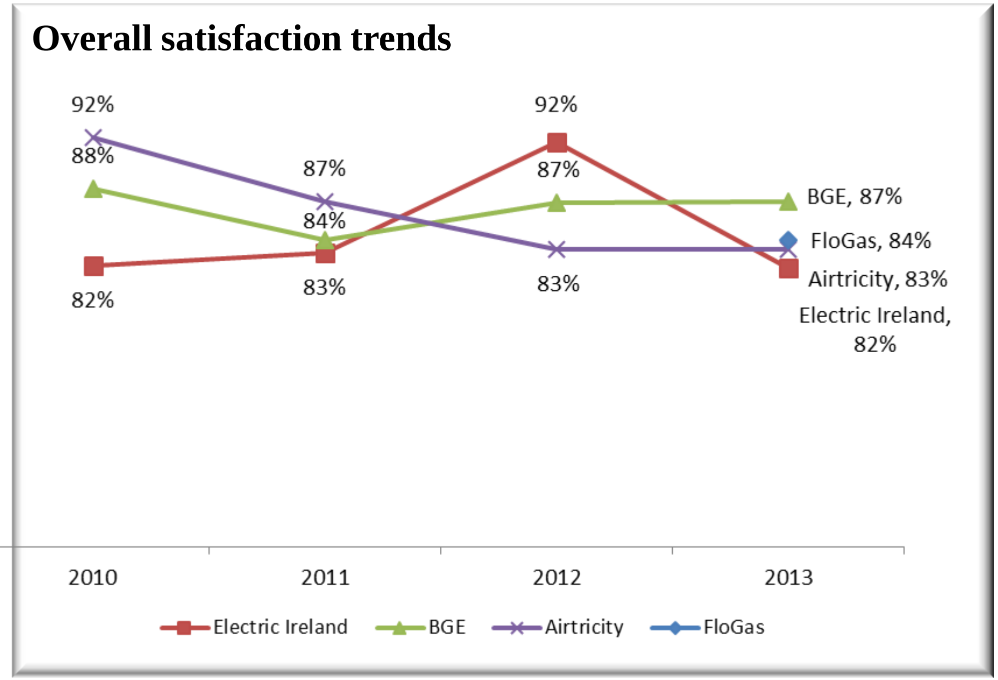
- Surveys completed across 112 sampling points
  - Proportions reflect the current residential gas population
- 12% of respondents receive the natural gas allowance

Location of respondents

	2012	2013
Dublin urban area	64%	64%
Cork city	11%	11%
Limerick	3%	5%
Dublin periphery	4%	5%
Cork county	3%	4%
Waterford	4%	3%
Kilkenny	2%	3%
Drogheda	3%	3%
Portlaoise	1%	1%
Carlow	0%	1%
Dundalk	1%	1%

Satisfaction with current supplier



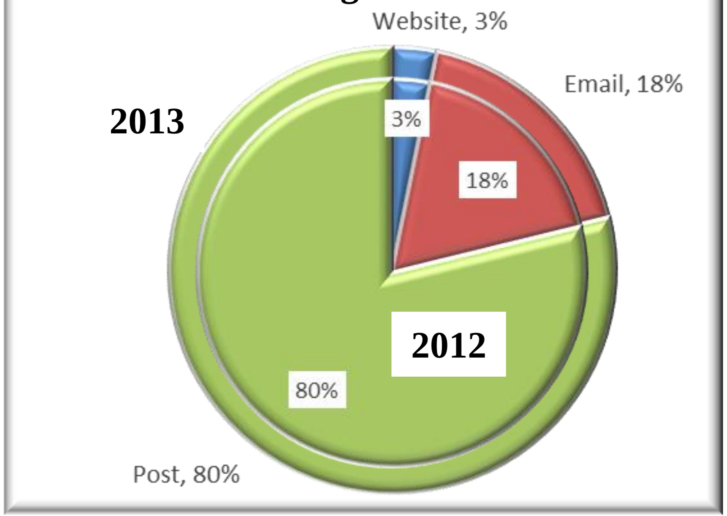


- Overall satisfaction with current natural gas suppliers is similar across suppliers
- Electric Ireland satisfaction score has declined from 2012 peak to 82%

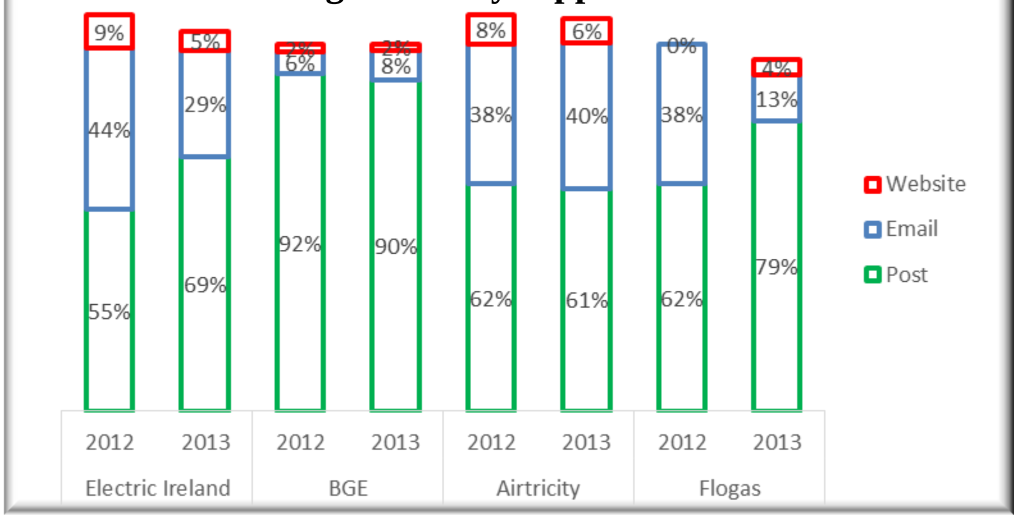
BILLING AND PAYMENT

Respondent profile – bill delivery and frequency

Method for receiving bill

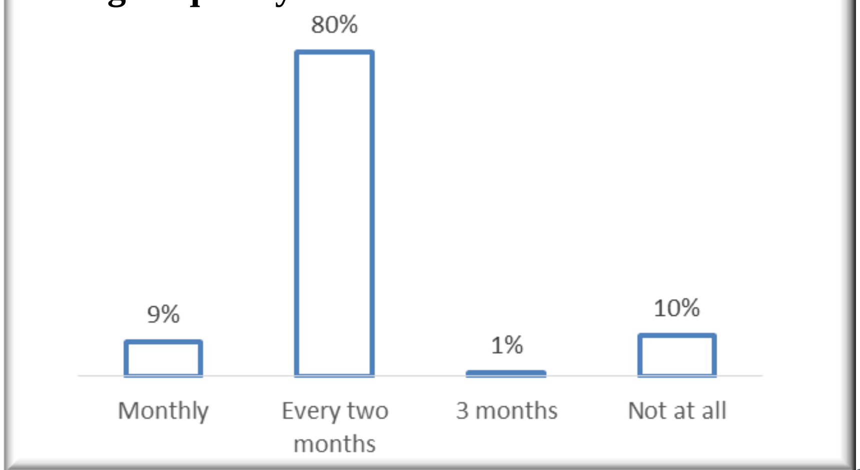


Method of receiving a bill – by supplier



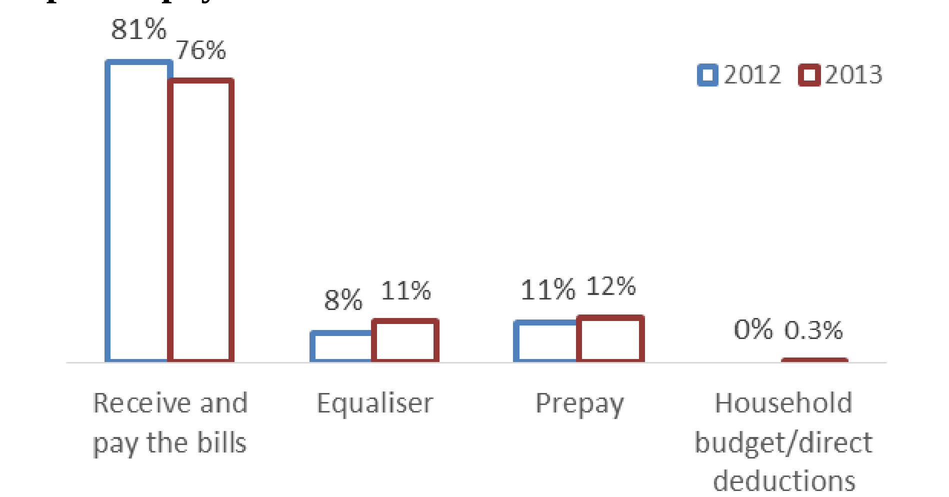
- Most consumers receive a printed bill by post
  - There has be no change in proportions since 2012
- Bill are predominantly received every two months
  - 10% of respondents claim not to receive bills at all (2012: 8%) – these are predominantly BGE customers

Billing frequency



Respondent profile – payment models, bill size and knowledge of charges

Reported payment models



Estimated winter and summer bill size

Bill size	Average winter monthly spend		Average summer monthly spend	
	2012	2013	2012	2013
All consumers	€113	€129	€52	€59
Usage based bills	€ 113	€126	€47	€49
Equaliser	€89.25	€122	€79	€122
Prepayment	€ 118	€144	€110	€68

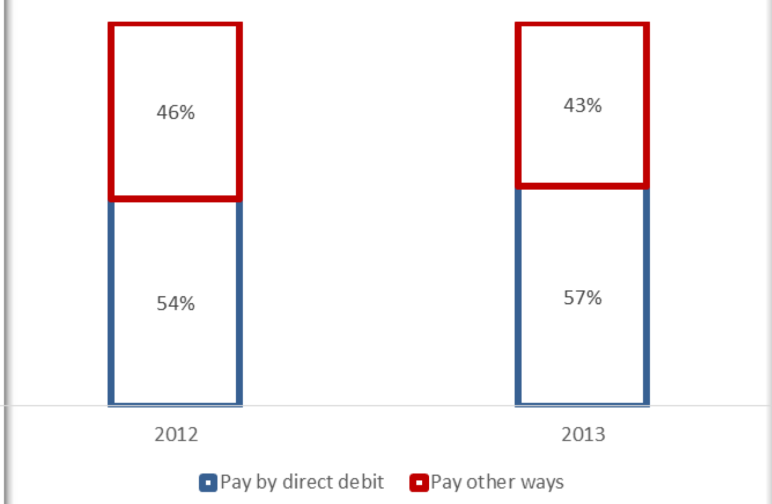
- Payment models vary by supplier with BGE having highest proportion of prepayment
  - Similarly, FloGas has the highest proportion of Equaliser models (14%)
- When asked to estimate expenditure on natural gas based on typical winter and summer spend, most consumers were not able to estimate of the unit cost of natural gas, nor the supply charge (standing charge)

Estimates of unit cost and supply charge

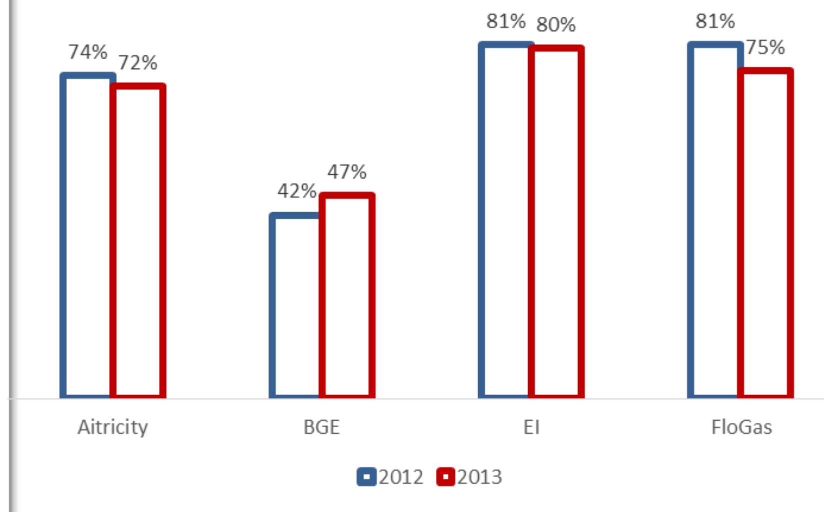
	Able to provide estimate		Average estimate	
	2012	2013	2012	2013
Unit cost	12%	19%	6.5c	5.4c
Supply charge (every 2 months)	17%	11%	€20.25	€19.95

Respondent profile –payment methods

Prevalence of direct debit (excluding consumers on prepayment)



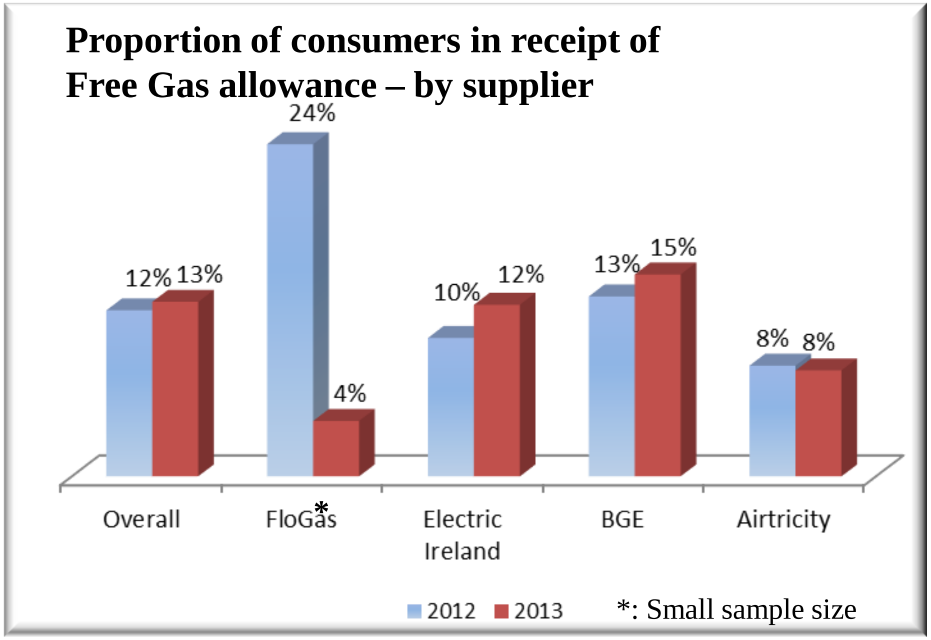
Prevalence of direct debit (excluding consumers on prepayment) by supplier



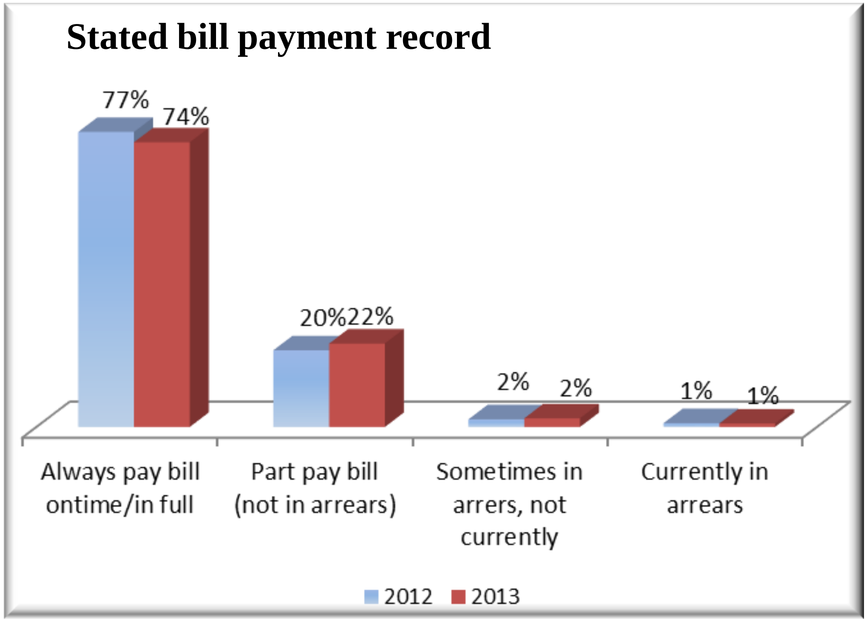
- A majority (57%) of consumers not on prepayment or social welfare deductions pay their gas bill using direct debit
- The small increase in the proportion paying by direct debit is driven by an increased proportion of BGE customers paying with this metho

Respondent profile –Free Gas allowance

- Across the entire population, 13% of natural gas consumers state that they are in receipt of the natural gas allowance
- Variation in FloGas reflects small sample size
- Figures for other suppliers remain stable

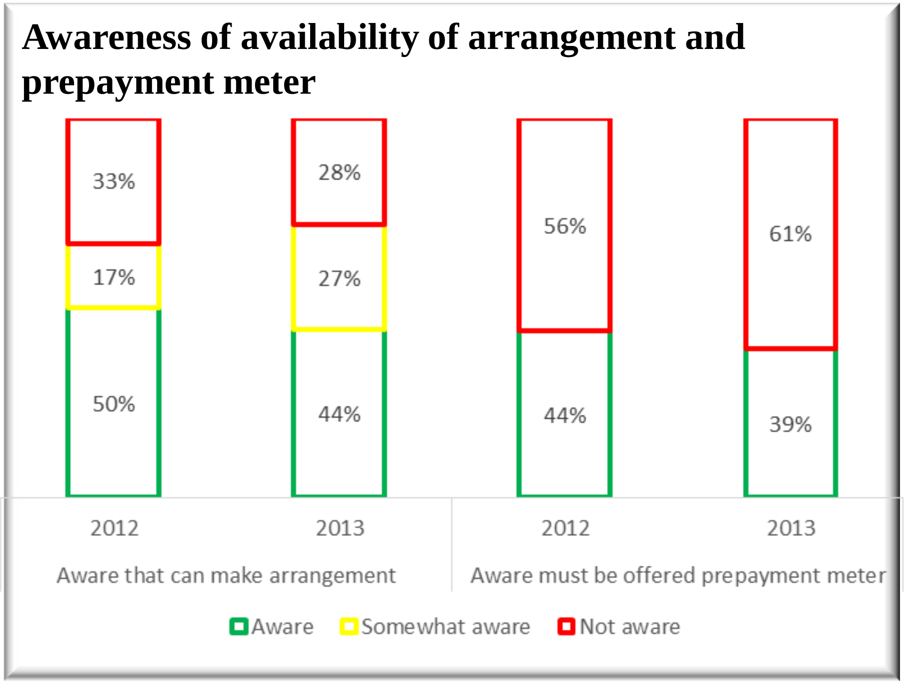


Bill payment history, arrears and payment plans



- 97% of consumers do not believe that they are in arrears now or at other times
- 22% state that they part pay their bill and therefore may be on payment plans – although the consumer does not recognise this as *being in arrears*
  - This does not represent a significant change from 2012
- This is also reflected in the small proportions claiming to be currently or previously on a payment plan (0.3% of consumers not on prepay) or state that they were previously disconnected (0.7%)

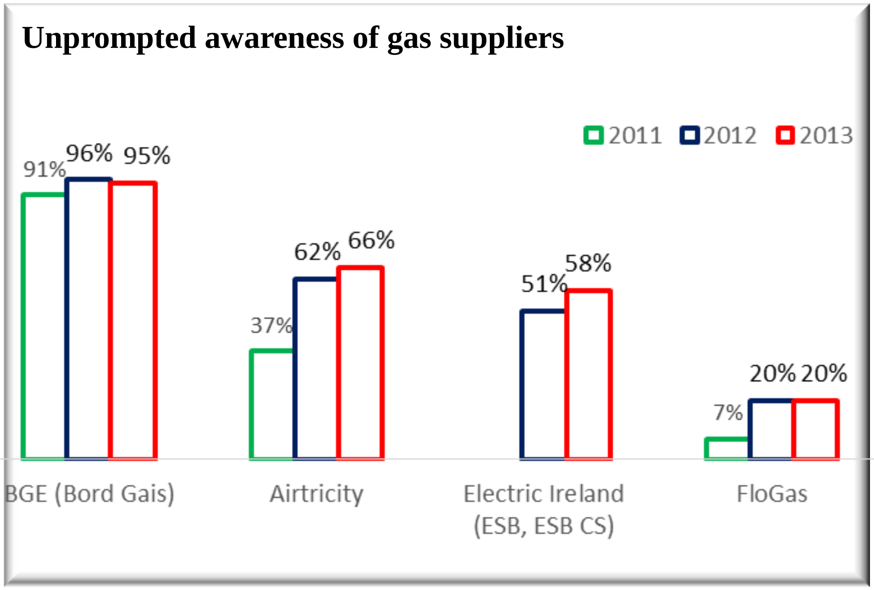
Bill payment history, arrears and payment plans

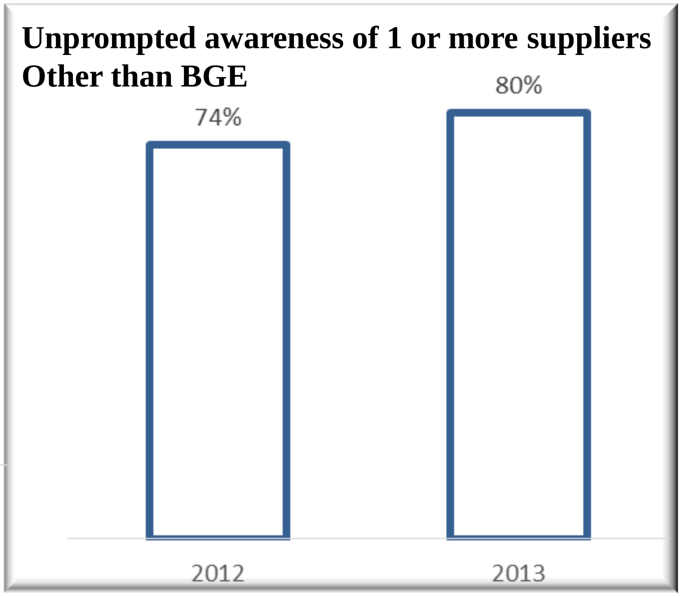


- Most consumers are at least somewhat aware of the potential to make an arrangement to pay
  - A lower proportion (39%) are aware that they must be offered a prepayment meter if they are in arrears
- Over both measures, few consumers stated that they were aware of each
  - In the case of arrangement (using a three point scale), the number of consumers not aware also declined

COMPETITION AND DEREGULATION

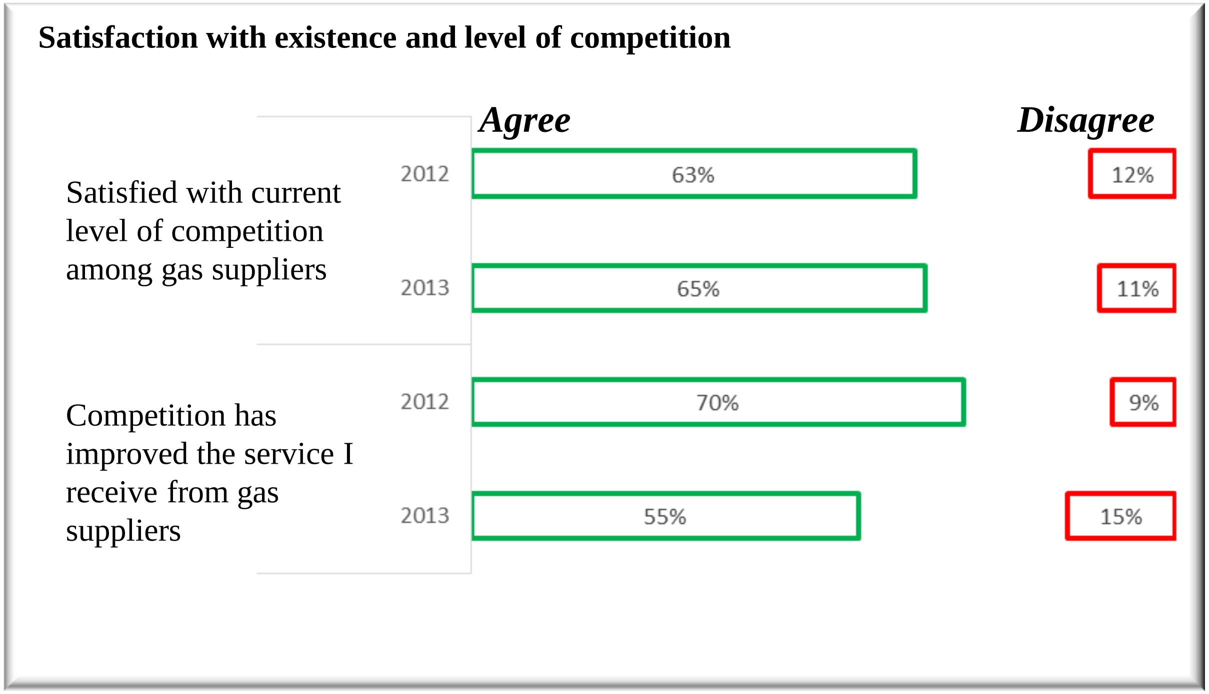
Residential Gas: Awareness of suppliers





- 95% mentioned BGE or Bord Gáis unprompted
  - 82% of these mentioned Bord Gáis
- Awareness of competition has increased with 80% of respondents recalling a supplier other than BGE
  - 2012 score was 74%

Satisfaction competition



- A majority of consumers are satisfied with the both the existence of competition in the residential consumer electricity market
- However, there has been a large decrease in the proportion of customers who agree that competition has improved service
  - Relatively smaller increase in the disagree score suggests that competition has had little impact on service experience

Awareness of current price control

Understanding of how prices are set

	Overall		BGE		Competitors	
	2012	2013	2012	2013	2012	2013
All natural gas suppliers are allowed to set their own prices	23%	19%	22%	19%	NA	20%
Prices set by some natural gas suppliers are regulated which means that their prices must be approved by CER	40%	38%	40%	38%	NA	38%
The prices set by all natural gas suppliers are regulated	37%	40%	37%	40%	NA	40%
None of these	10%	9%	11%	9%	NA	8%

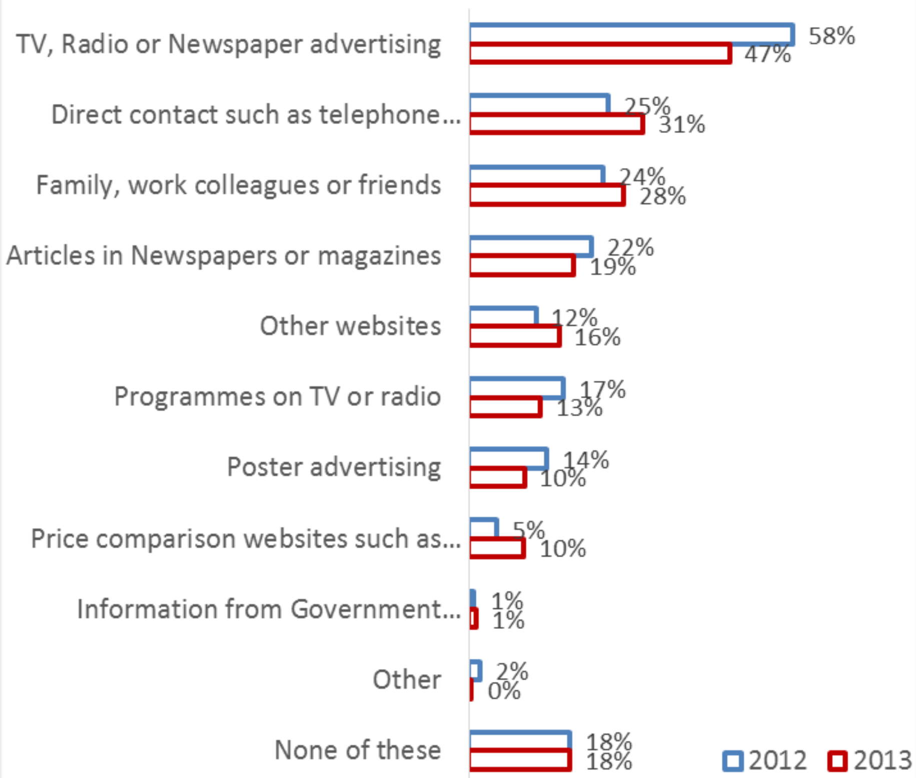
Aware that BGE's gas prices are regulated (in consultation with CER)

	2012	2013
Aware	26%	23%
Somewhat aware	18%	23%
Not aware	56%	54%

- Awareness of current price control regulation remains at the same level as 2012
- The level of understanding of the current regulation remains low with 38% correctly identifying the current approach to regulation – this does not vary by supplier
- A significant minority of consumers (40%) believe that all natural gas prices are subject to regulation
- A majority of consumers are not aware that BGE's residential prices are regulated
  - This is similar with both BGE customers and customers of other suppliers

Sources of information

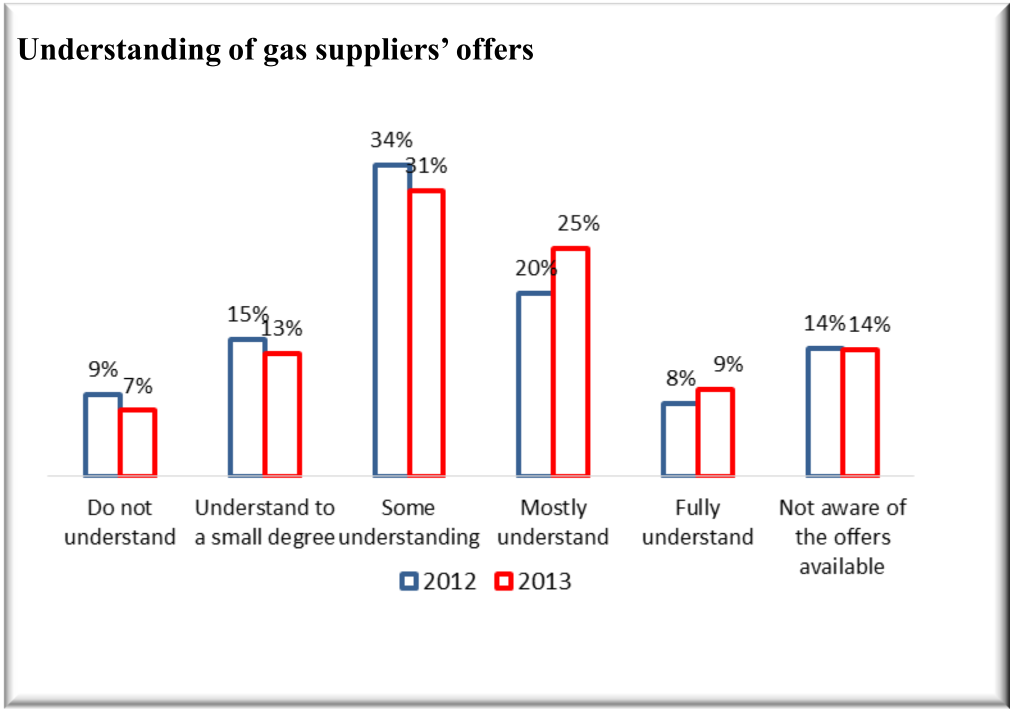
Select top three sources of information about other suppliers

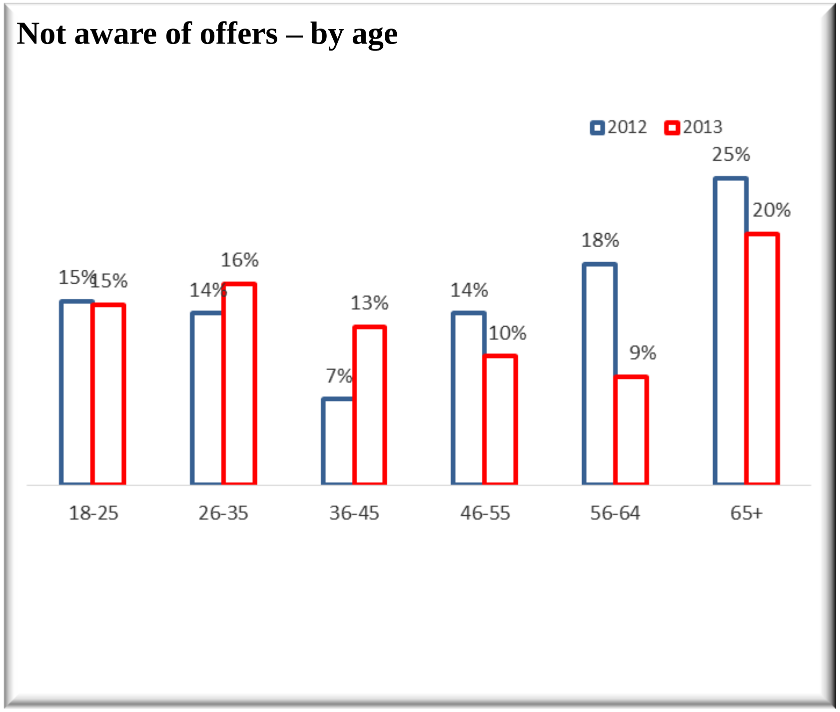


Respondents may select up to 3

- The relative importance of advertising has declined with direct contact increasing in importance
- The importance of recommendation has also shown an increase
- In addition, 12% of respondents stated that they had used price comparison web-sites as a top three source of information

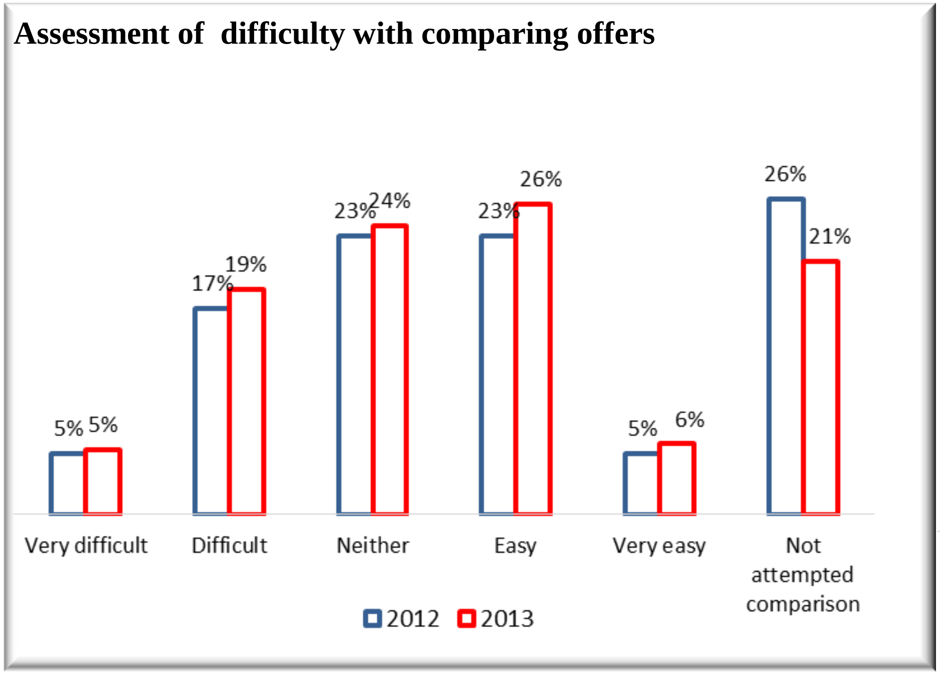
Ability to understand offers from gas suppliers

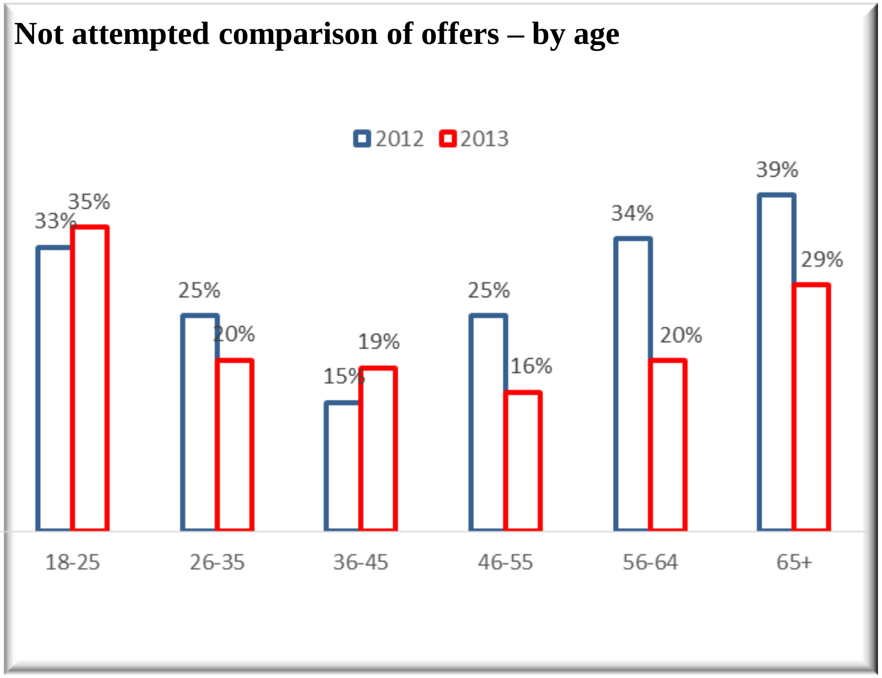




- 20% of consumers stated that they had small degree or no understanding (2012: 24%)
- 14% of consumers stated that they not aware of the offers
  - Clearly connected with age with those in the 46-55 and 56-64 age cohorts least likely to be unaware of offers (10% and 9% respectively)

Ability to compare offers from gas suppliers

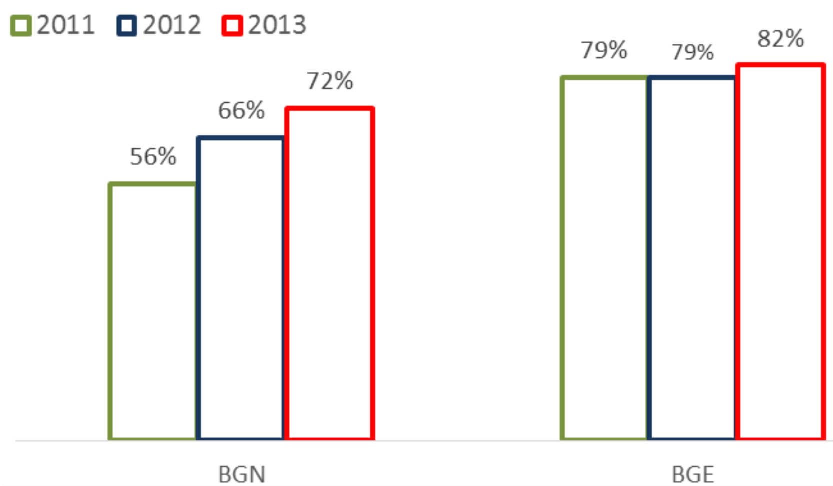




- 24% of consumers stated that they found comparison of offers difficult
  - However, 32% stated that they found the comparison easy or very easy
- 21% of consumers stated that they had not attempted to compare offers
  - This has decline across al age groups apart from under 25

Awareness of Bord Gais business names

Awareness of BGE and BGN business names

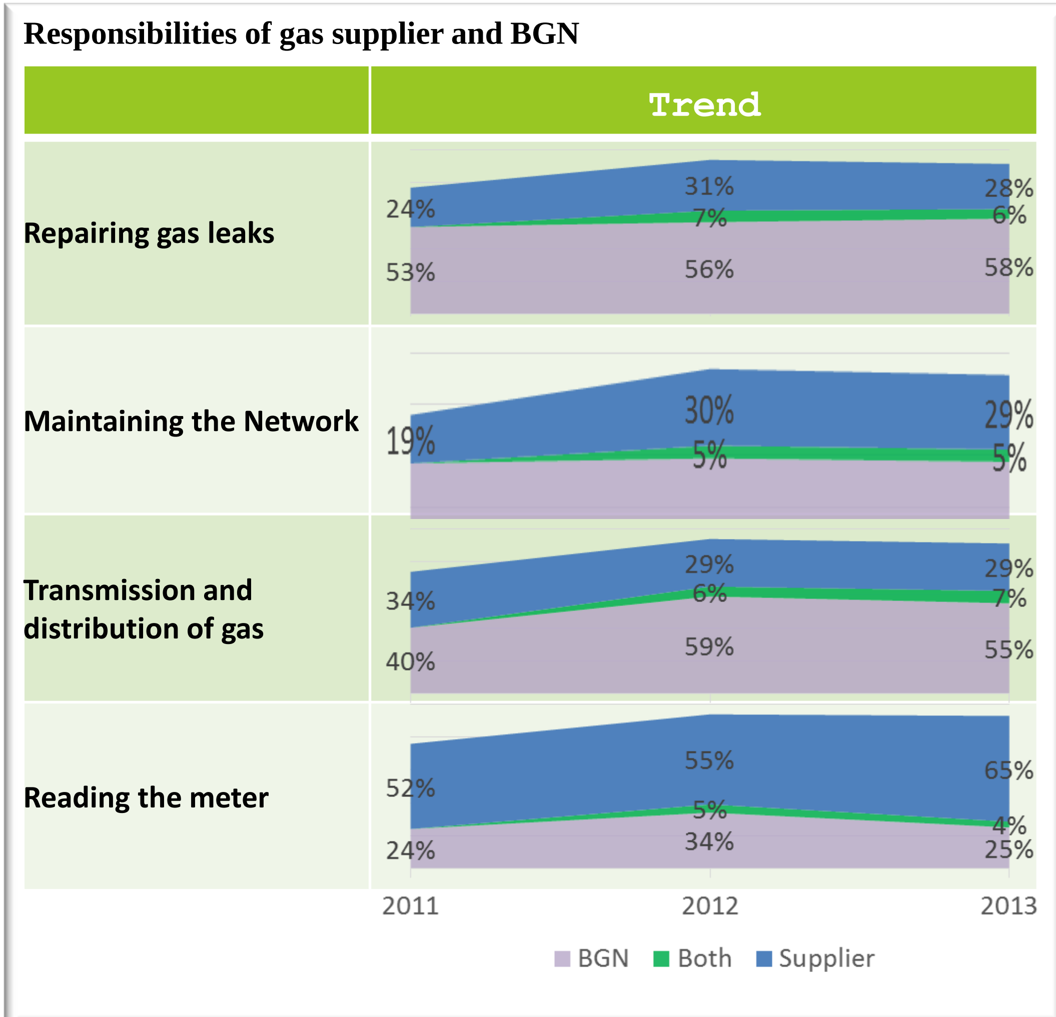


Awareness of BGE and BGN business names
By current supplier

	Current supplier			
	BGE		non-BGE	
Awareness	2012	2013	2012	2013
BGN	64%	72%	68%	72%
BGE	77%	83%	81%	80%

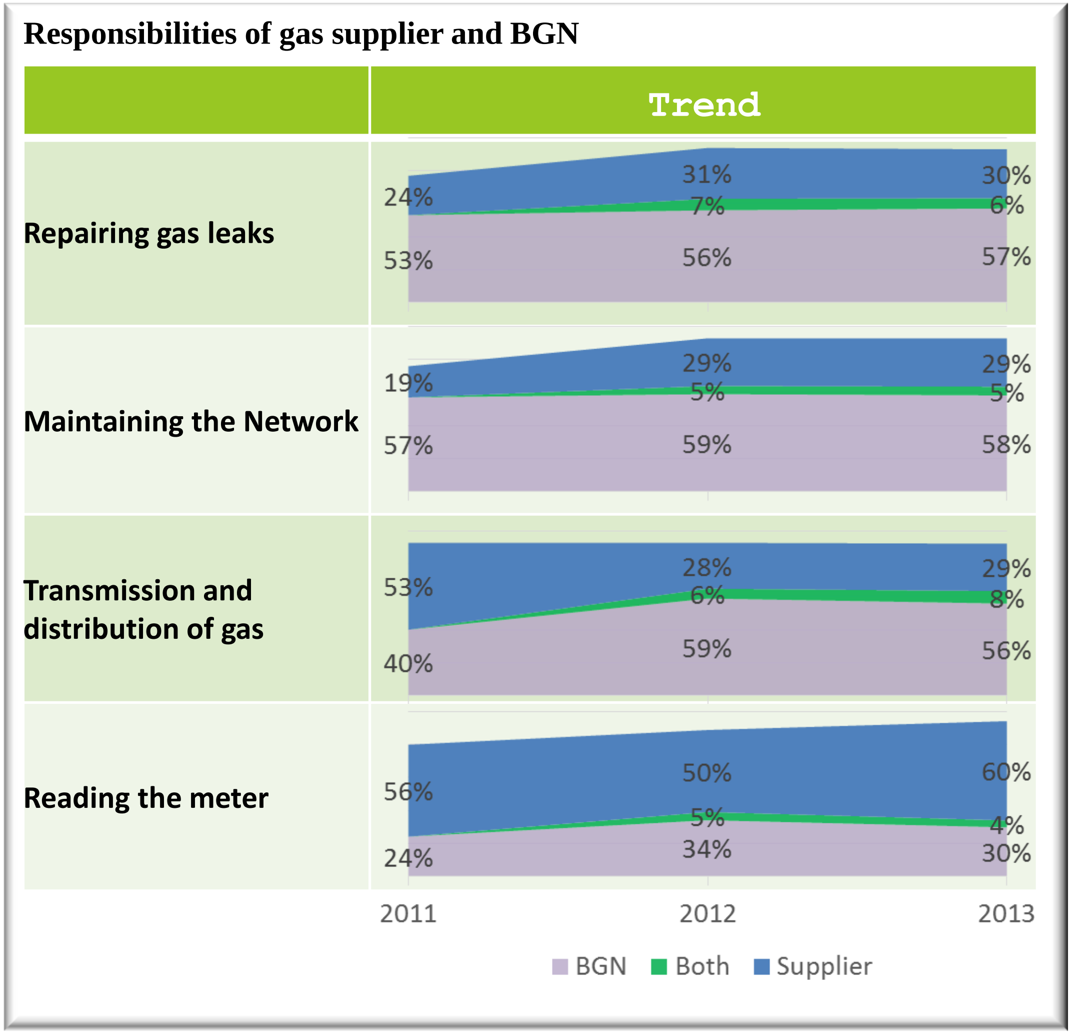
- Awareness of BGN continued to increase
  - Level of awareness among BGE customers increased proportionately more and now matches non-BGE customers
- Awareness of BGE has remained stable with increases among BGE customers

Customer understanding of the roles of gas supplier and BG Networks



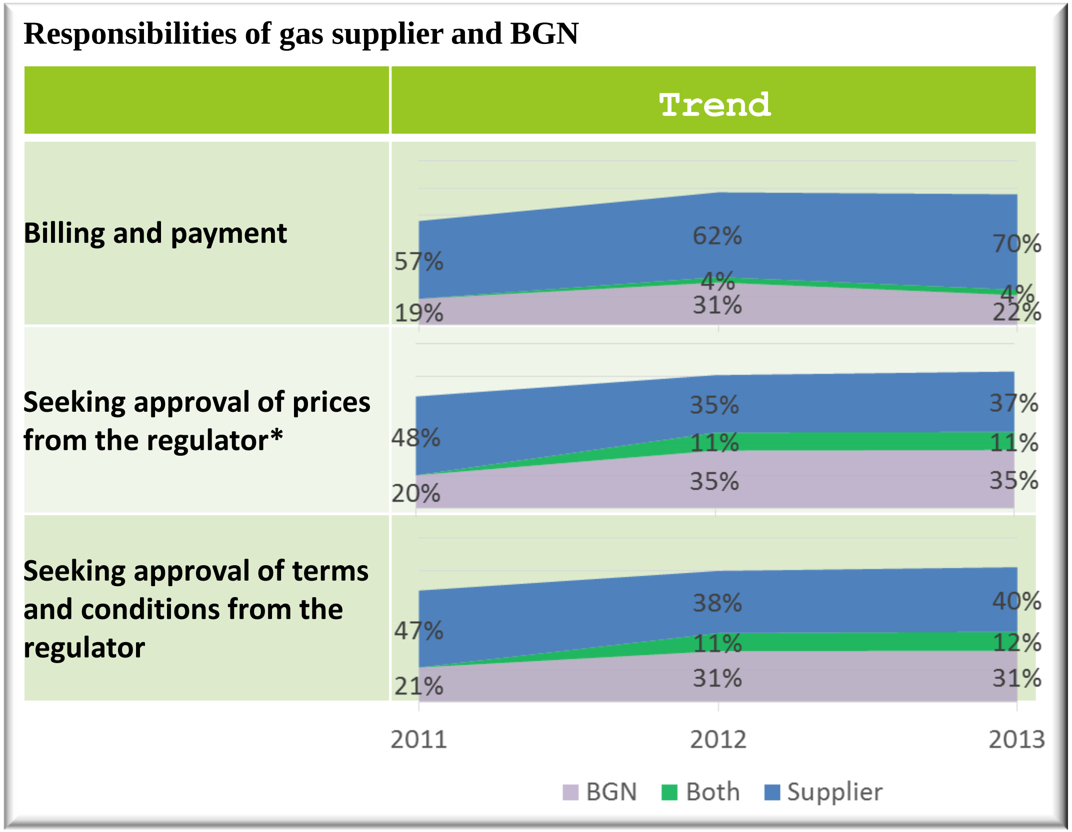
- While understanding BGN role with regard to gas leaks recovered to 2011 scores, maintenance of the network and transmission/distribution are still deemed to be supplier roles by 29% of consumers
- Reading the meter remains a role primarily associated with the supplier with 24% associating it with BGN

Customer understanding of the roles of gas supplier and BG Networks – BGE customers



- Scores for BGE customers remain very similar to the overall market

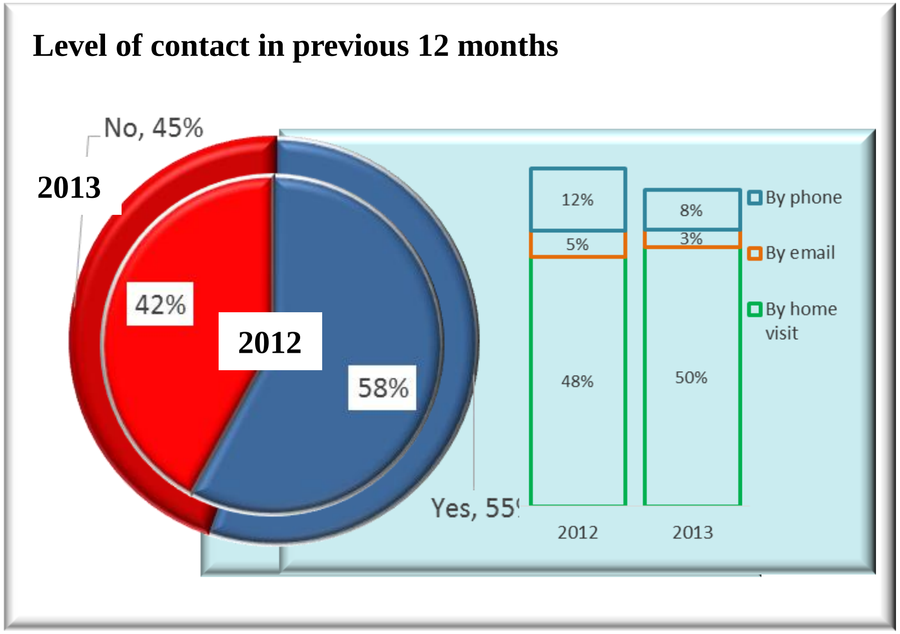
Customer understanding of the roles of gas supplier and BG Networks

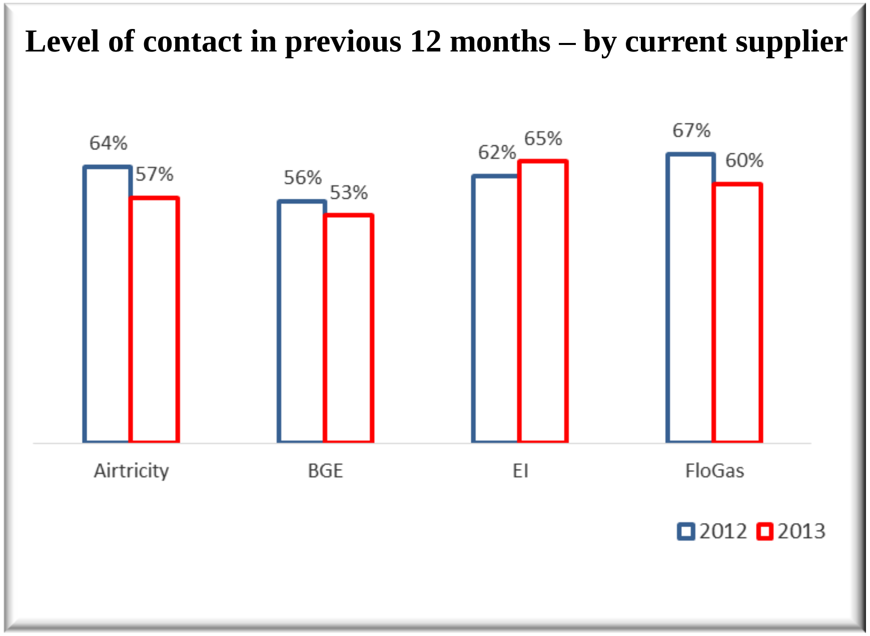


- An increasing proportion of consumers recognise the billing and payment role of the supplier (70%)
- Perceptions of the role of supplier/networks with regard to regulation remain unchanged from 2012

SWITCHING

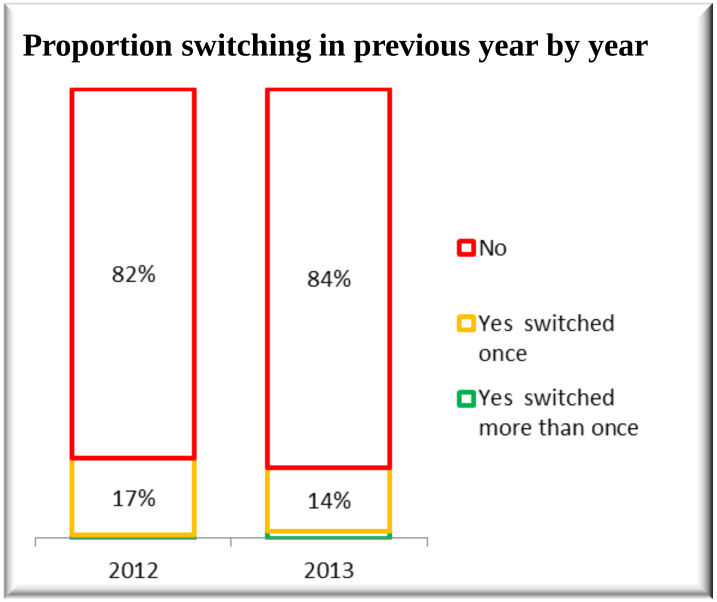
Switching: Contact by suppliers





- Over half of consumers have been contacted by another natural gas supplier during the previous 12 months,
  - The most common method of contact remains by a home visit
- There are similar levels of contact among customers of the different suppliers
  - BGE customers remain least likely to have been contacted (53%) compared to Electric Ireland (65%) – however partially reflects the level of switching over previous year

Switching – rates



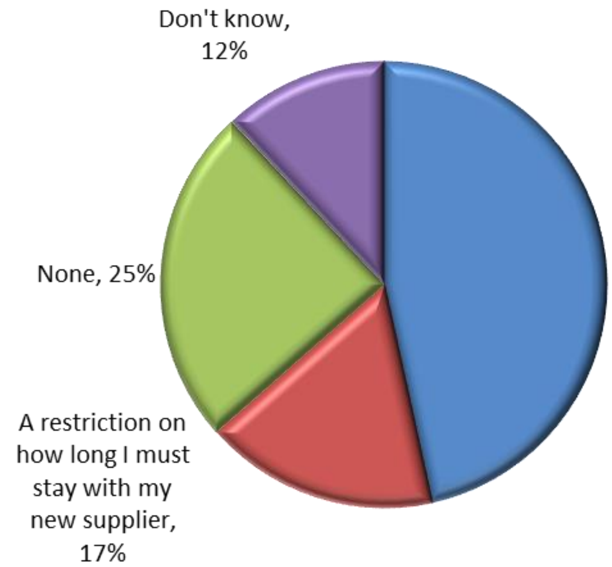
- Switching rates declined from 2012 (2011 rates similar at 17%)
  - Switchbacks increased slightly (2013: 22%; 2011: 18%)

Investigating and switching packages

Prevalence of package, channel and billing changes

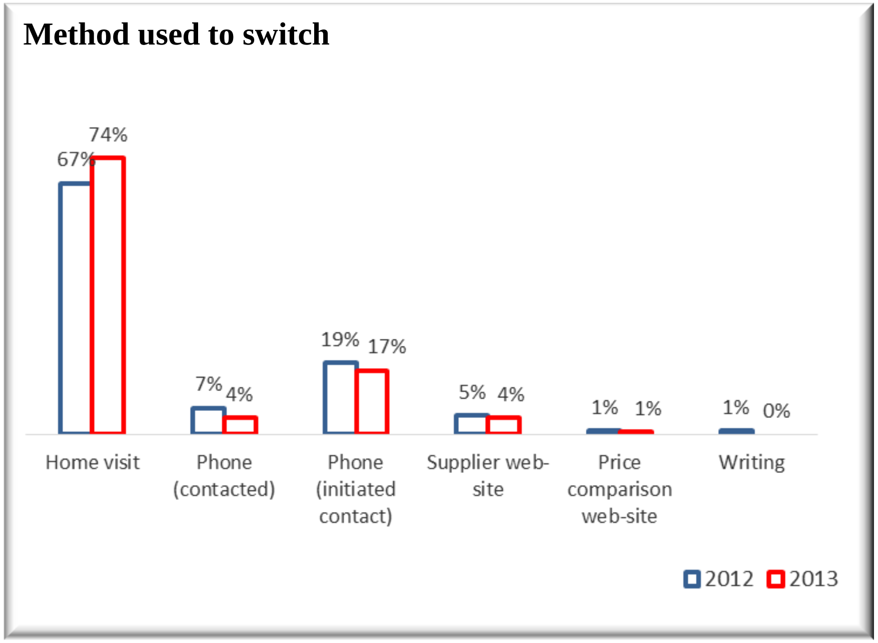
	Supplier				
	Overall	EI	BGE	Airtricity	FloGas
Contacted supplier about changing package	6%	3%	5%	13%	0%
Changed package (among those who didn't switch)	4%	11%	3%	8%	17%
Extended to dual fuel (among those who didn't switch and use natural gas)	7%	12%	4%	8%	0%
Change payment channel	3%	2%	2%	6%	8%
Changed billing frequency	3%	2%	2%	3%	4%

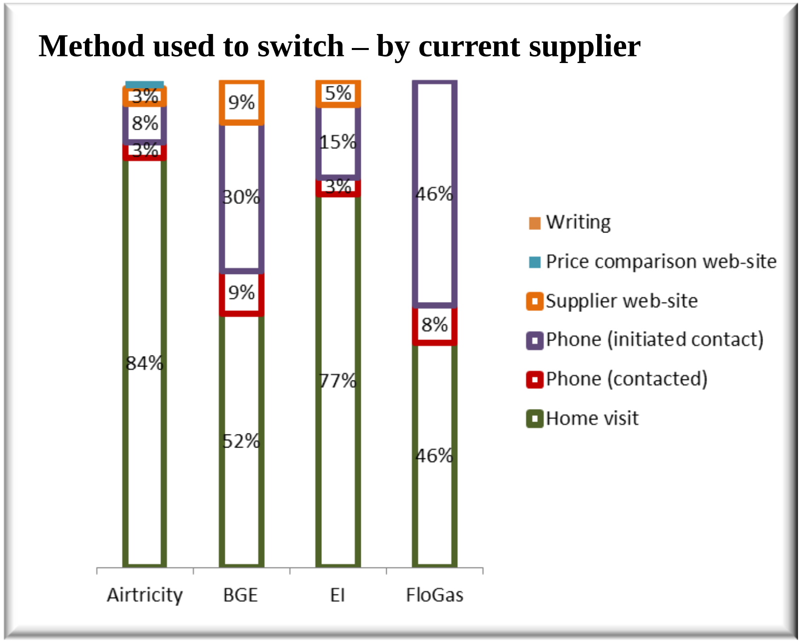
Restrictions associated with package switchers



- 6% of consumers contacted their supplier to investigate changing package
  - Among consumers who didn't switch, 4% actually changed package (2012: 5%)
- 7% of customers with natural gas extended to a dual fuel product
  - Lower score for BGE reflects the current market share among natural gas consumers
  - Similarly the higher proportion of Electric Ireland customers switching to dual fuel reflects that company's strength in the electricity market

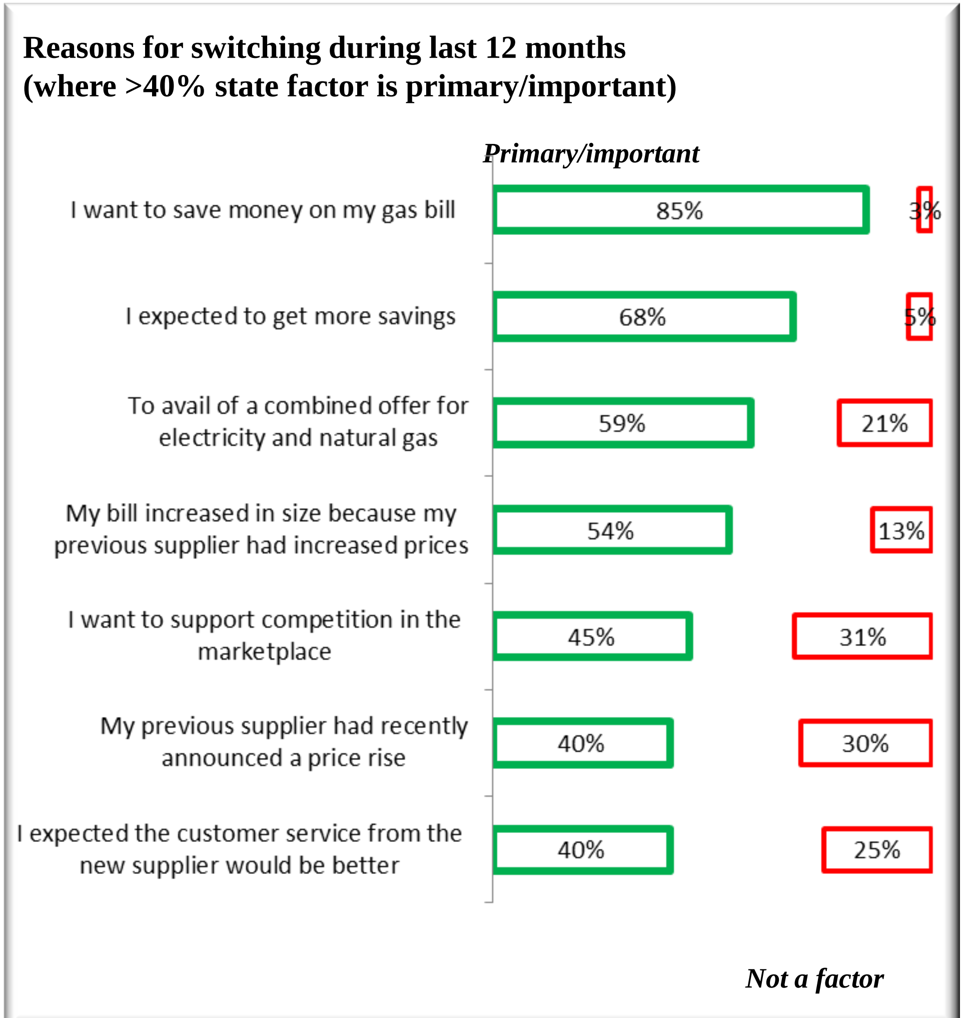
Contact method





- Most (74%) of switchers completed the switch during a visit to their home
  - This is an increase from 2012 (67%)
- Airtricity and EI rely heavily on home visits for switchers with BGE attracting significant proportion of its switchers (30%)proactively making contact
  - This may reflect the relative proportions of switchers with Airtricity and Electric Ireland capturing most swtichers

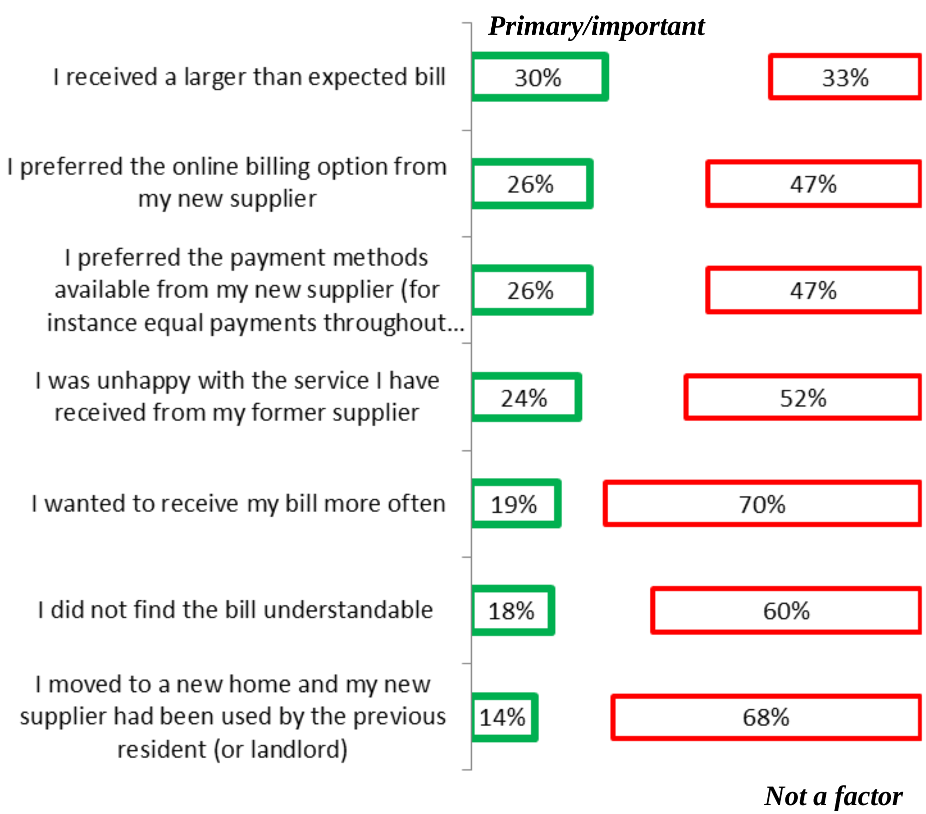
Reasons for switching – most important factors



- As expected desire to save or reduce electricity bill remains a primary or important factor in the decision to switch by most consumers as
  - Cost related push factors (such as *bill increased due to price rises* and *previous supplier announced a price rise*) also identified as primary or important by 54% and 40% respectively
- The increasing focus on cost drivers represents a reversal of the decline in the importance of cost drivers since 2012
  - *Want to save money on gas bill* as a primary or important reason for switching compared to 2012:76%; 2011: 94%

Reasons for switching – other factors

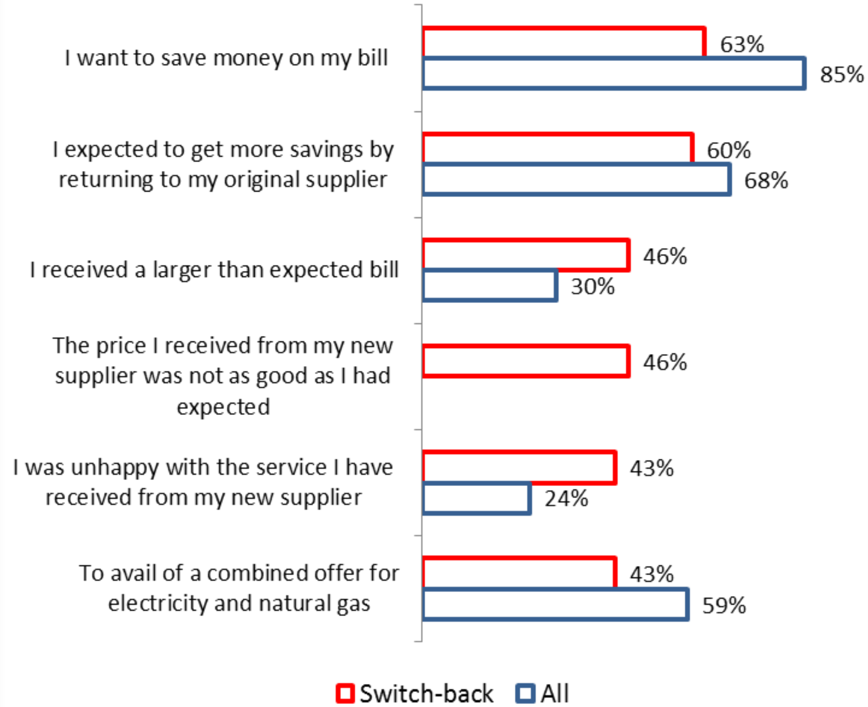
Reasons for switching during last 12 months (where <40% state factor is primary/important)



- Among the other factors tested, a significant proportion of consumers who had recently switched identified each as not at all important in the decision to switch
  - Suggests that these factors are focused on sub-groups in the population
- Unhappiness with customer service declined in importance with 24% rating it as primary or important – reversing approx. half of the large increase 2012
  - 11% rated it in 2011

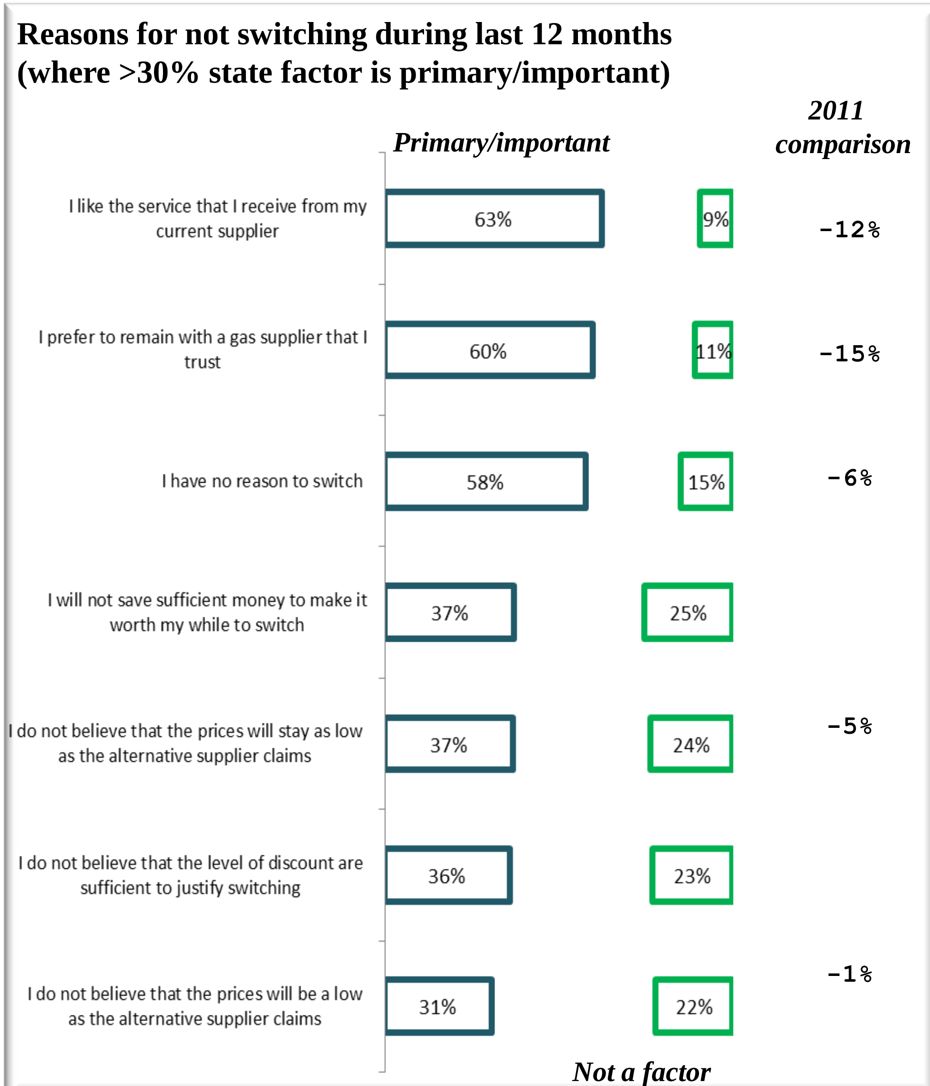
Reasons for switching back

Comparison of most often reasons sited as primary or important reasons for switching back



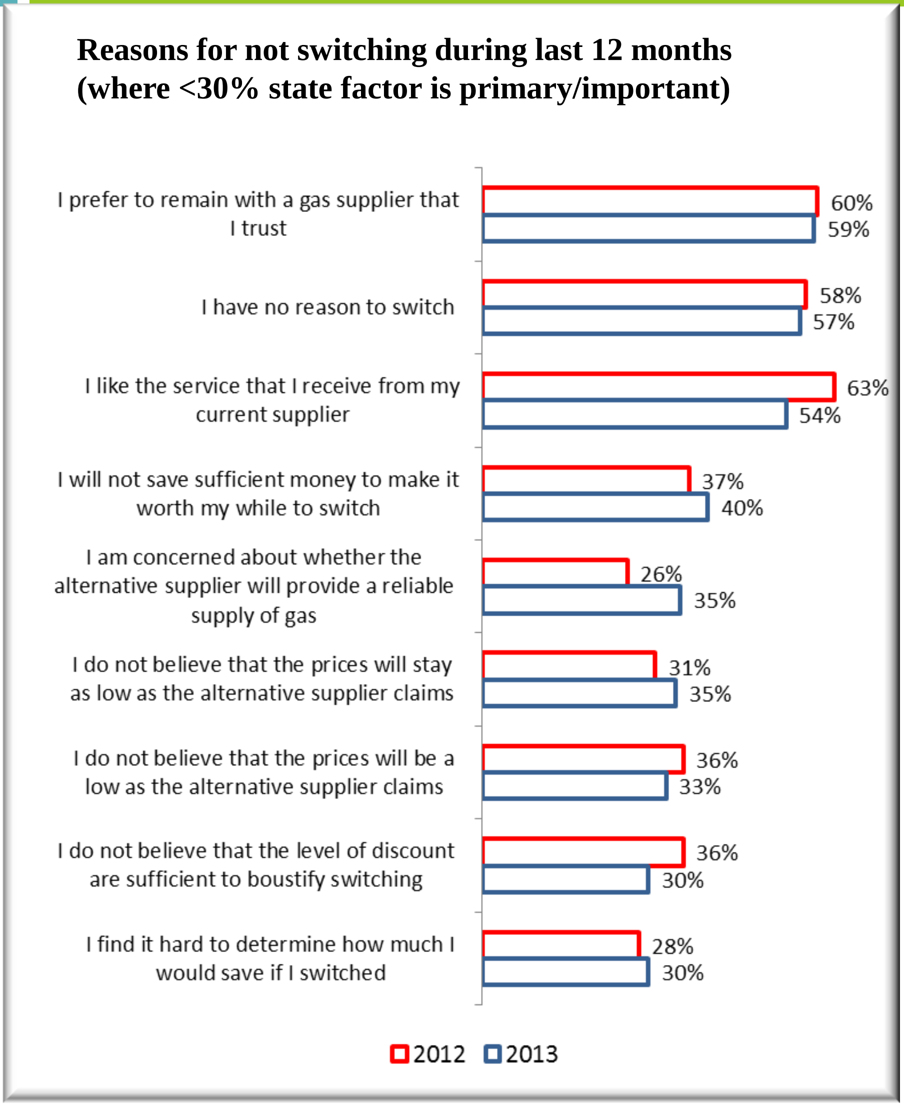
- Top reasons for switching back are driven by price and potential savings – or lack of delivery of savings from the new supplier
  - Note: Wording was varied to a small degree to reflect each case
  - *Unhappiness with service received* and *receiving a larger than expected bill* were significant drivers of switching back but not switching
- Service also features with 43% of individuals who switched back rating that as an important reason for switching back

Reasons for not switching – most important factors



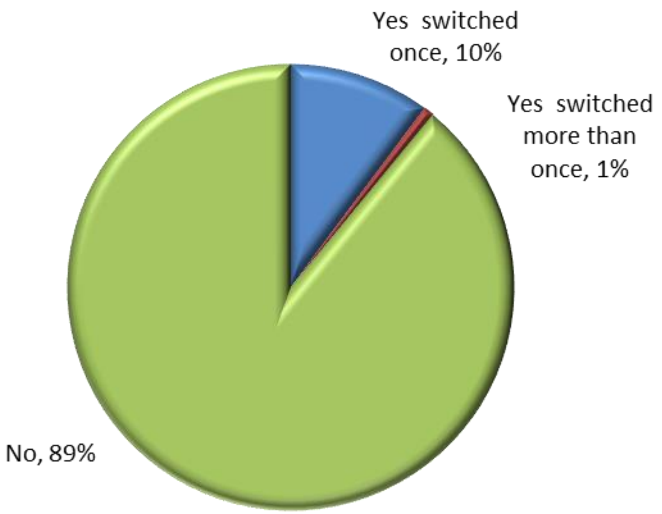
- Satisfaction with the service received and lack of driving reason is most commonly mentioned
- Trust is a significant reason rated as primary or important by 54% of consumers who haven't switched
  - This was selected as the primary reason for not-switching by 44% of Electric Ireland customers who have not switched
- The has been a decline in the proportion of non-switchers rating factors as primary/important
  - E.g. 12% less rated I like the service from my current supplier
  - Note: Additional potential factors were tested in 2012

Less frequently rated reasons for not switching



- Concerns about reliability of supply returned to 2011 levels (2011: 37%; 2012: 26% and 2013: 35%)
- In contrast, concerns about responsiveness has remained steady at 21% (2011: 36%)
- Trust and favourable perception of the service provided are the most commonly identified reasons
  - Price related reasons dominate 5 of the top 10 factors in this category

FGA and switching



Reasons for not switching – related to FGA

Reason for not switching Selected by over 40% as primary or important	% rated primary/ significant 2012	2013
Prefer to stay with trusted supplier	69%	63%
No reason to switch	69%	61%
Concerned that might not continue to receive FGA if switched	14%	23%
Concerned that receiving FGA would be too inconvenient	15%	17%

- FGA recipients are less likely to switch than the entire population
  - 11% switched in the previous 12 months (compare to 15% for entire population)
- FGA specific reasons are rarely selected as primary or important with FGA recipients focusing on trust, lack of a reason to switch and liking the current service
  - The FGA specific reasons were mentioned more often in 2013- reflecting the greater proportion of the population which have already switched

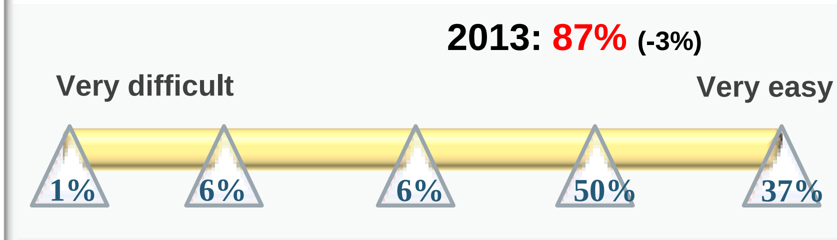
Experience of switching

Experience of process and outcome

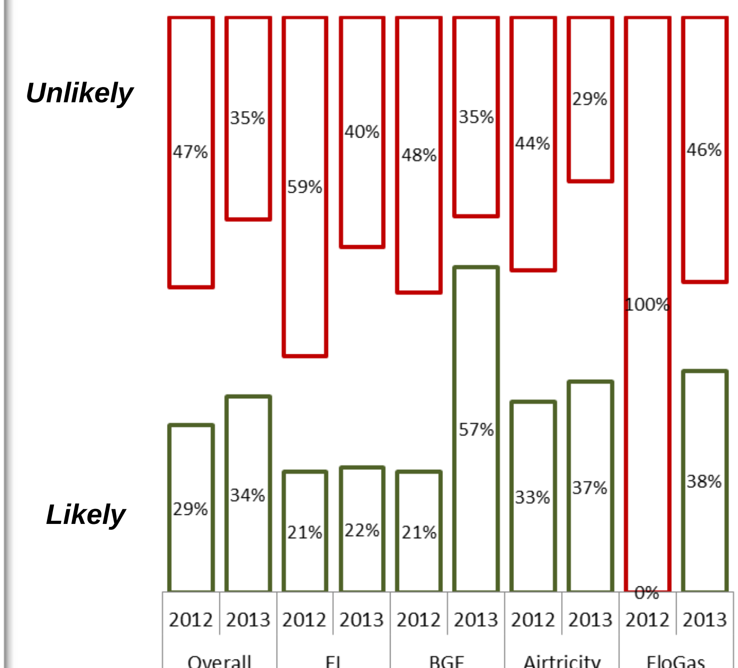
Process	+		-	
	2012	2013	2012	2013
Knew who to contact	77%	79%	9%	5%
Understood what was required	87%	84%	7%	4%
Understood what was offered by the new supplier	85%	83%	6%	7%
Actual changeover went smoothly	88%	88%	6%	2%
understood length of time that the prices offered applied for	85%	82%	5%	8%
understood the amount of deposit I would need to pay	63%	60%	11%	15%

Outcome	+		-	
	2012	2013	2012	2013
Bill reduced by expected amount	81%	58%	13%	14%
New supplier service satisfactory	83%	80%	8%	7%
Understood the terms	82%	80%	7%	9%

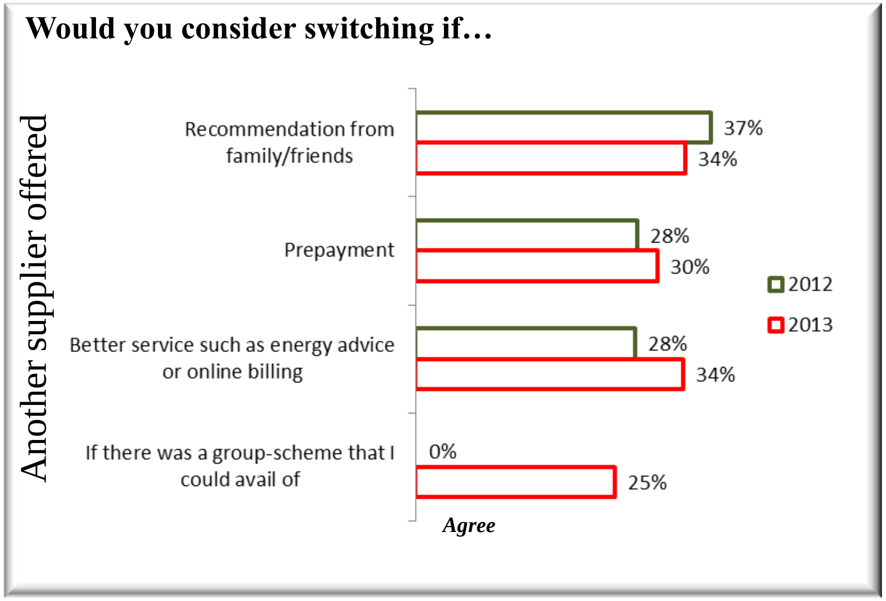
Rating the overall experience of switching

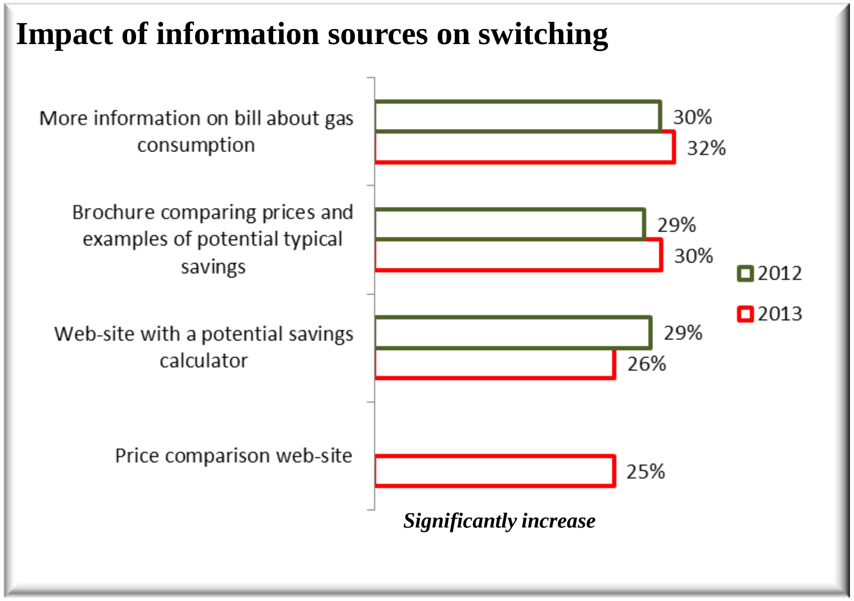


Likelihood of switching again in next 12 months



Increasing switching





- Recommendation, prepayment and energy advice were all shown to have similar impact on intention to switch
  - In contrast in 2012, recommendation scored higher than the other
- Consumption information on the gas bill and brochure comparing prices showed similar impact
- ¼ of consumers would consider switching to a group scheme
- ¼ of consumers believe a price comparison web-site would significantly impact on their intention to switch

ASSESSMENT OF SALES PROCESS

Consumer acceptance of call/phone contact

Consumer rating of call/phone contact from suppliers

Appropriate of call to door /phone contact	Overall				Over 65yr			
	+		-		+		-	
	'12	'13	'12	'13	'12	'13	'12	'13
Approach of sales person	73%	62%	11%	18%	73%	57%	13%	22%
Number of contacts	77%	64%	10%	16%	80%	60%	7%	25%
Understood the deal offered	86%	67%	5%	11%	87%	49%	13%	18%
No unreasonable pressure to sign-up	77%	66%	13%	16%	87%	58%	7%	21%
Understood T&Cs	89%	65%	6%	13%	87%	52%	13%	22%
Not concerned if I said no	77%	66%	13%	14%	73%	63%	20%	14%
Tone of conversation was appropriate	86%	79%	4%	7%	87%	75%	0%	7%

- Among those who had been contacted by phone or received a house call in the last 12 months, the sales approach has become noticeably less acceptable than 12 months ago
  - The scores for concerned if said no (14%) and unreasonable pressure to sign-up (16%) are comparatively high and should be monitored
- Among the over-65 group, disagree scores have increase to over 20% in a number of cases suggesting potential cause for concern

Consumer response to advertising

Consumer rating of advertising contact from suppliers

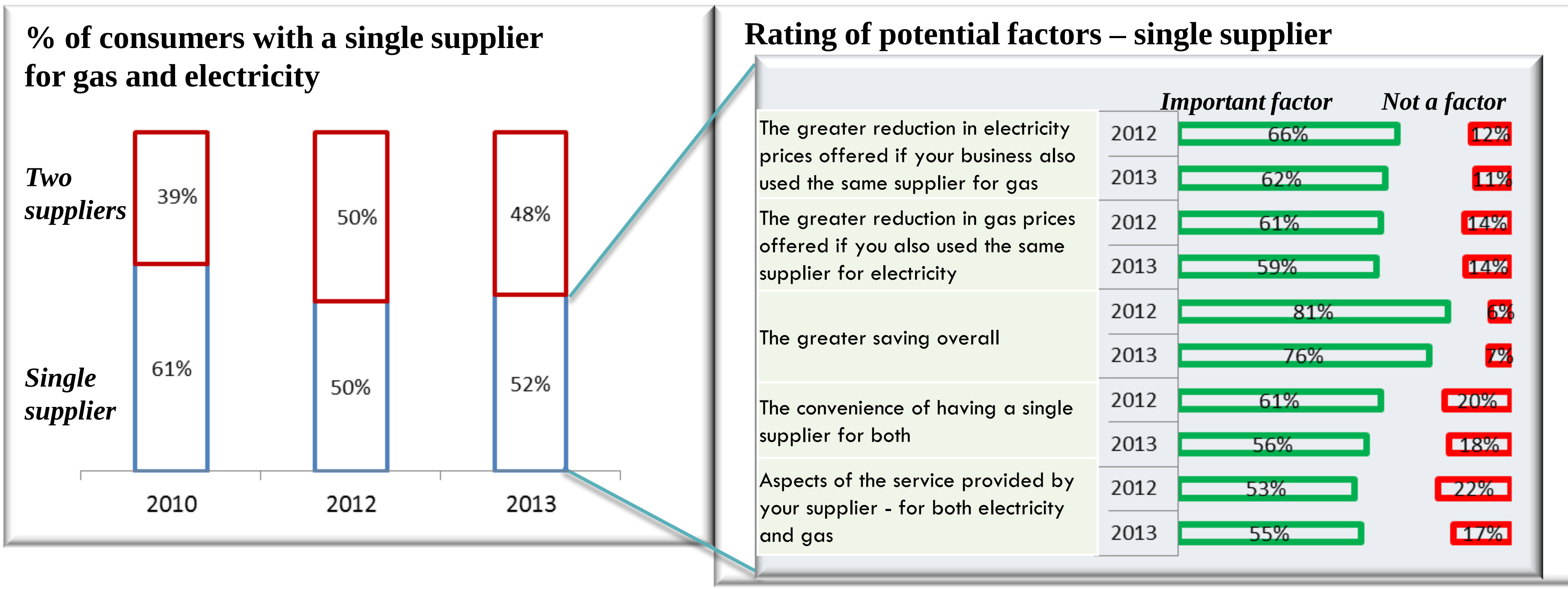
Reaction to advertising	Overall +		Overall -	
	2012	2013	2012	2013
Advertising straight forward	62%	55%	11%	11%
Advertising clear on prices	60%	47%	17%	15%
Advertising clear on conditions	58%	48%	18%	14%
Advertising clear on savings	67%	51%	13%	12%
Clear on how to translate advertised savings into my bill	57%	46%	18%	17%

- The response to advertising is as expected lower than the response to the direct contact
- The proportion agreeing with the statements has declined significantly from 2012
  - While a significant minority of respondents did not agree with the statements, this has not increased from 2012
  - Suggests that this should be monitored for further decline

DUAL FUEL

Includes responses from both electricity research (gas consumers) and gas research

Residential: Level and reasons for take-up of dual fuel

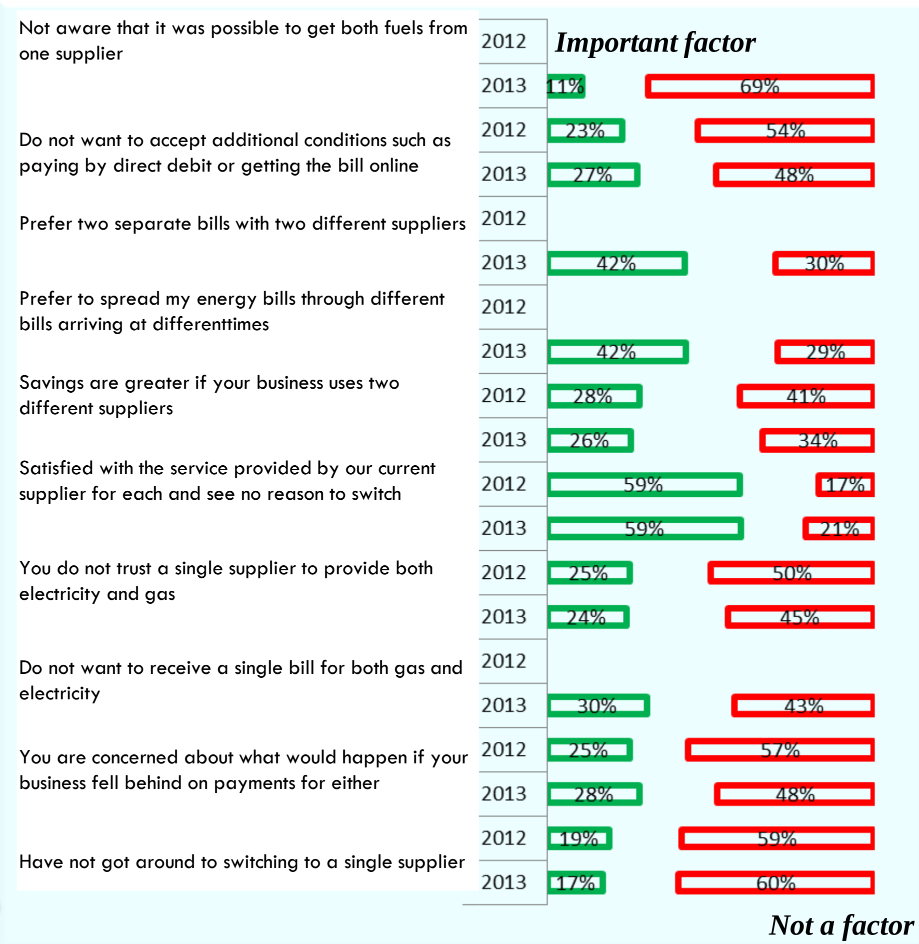


- Among consumers with natural gas and electricity, 52% use of a single supplier
  - Results combine data from electricity and gas surveys
- The factor most often rated as important is the additional saving offered when gas and electricity are purchase together

Take-up and interest in dual fuel: Reasons for not taking up dual fuel

% of consumers with a single supplier for gas and electricity

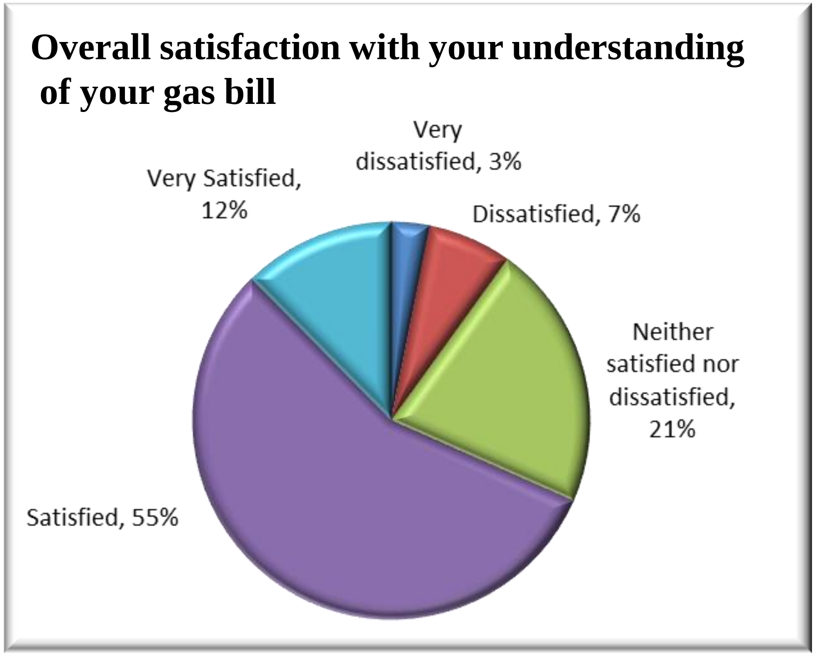
Rating of potential factors - separate suppliers

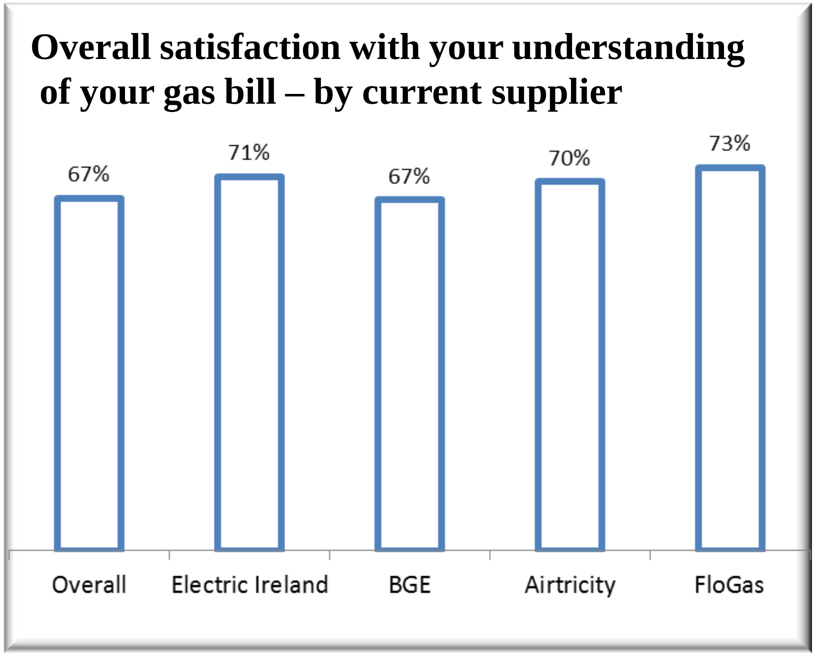


- Among consumers with both natural gas and electricity with different suppliers for each, satisfaction with the service provided by each supplier was the only reason identified as important by a majority
  - A majority of respondents identified most other suggestions as not a factor

BILL CLARITY AND INFORMATION SUPPORTS

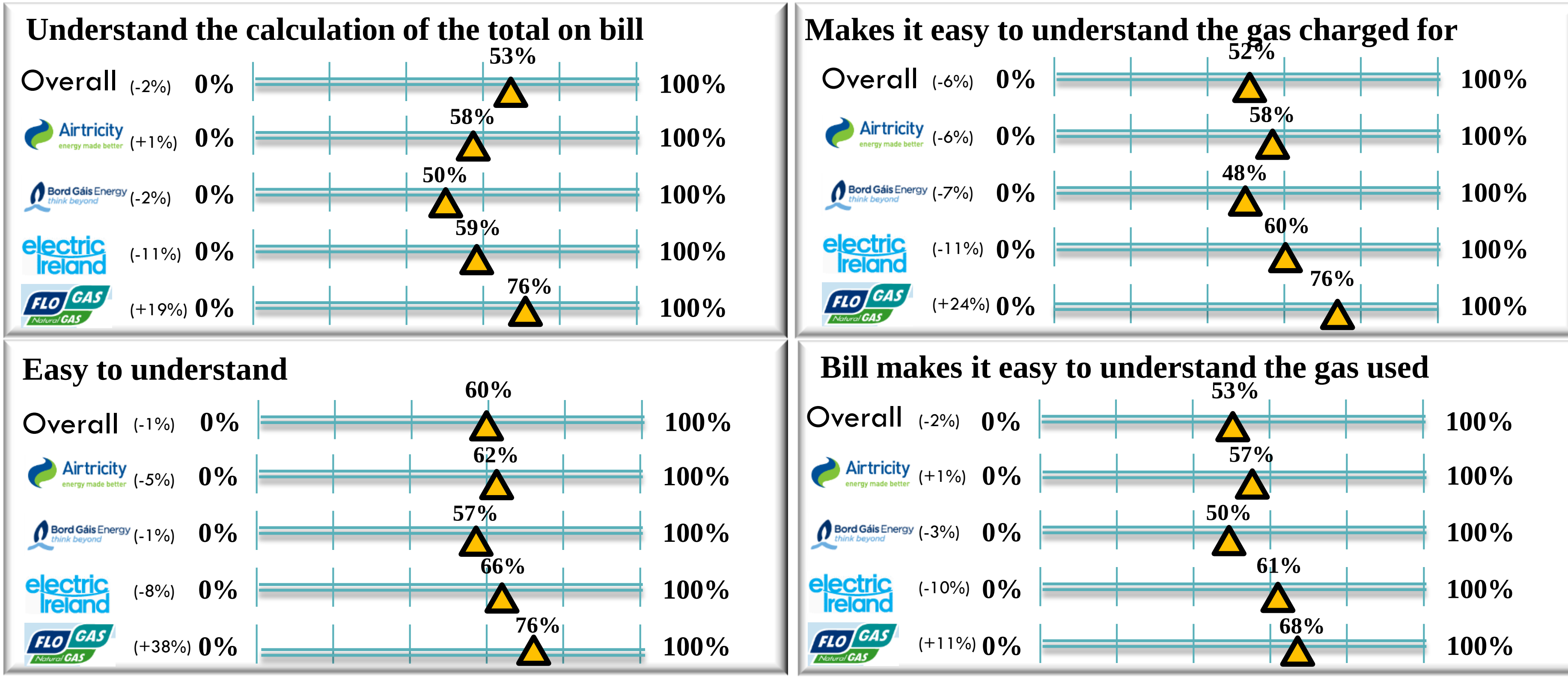
Understanding of the bill





- Satisfaction with gas bill (including how much gas you use and how much you are charged for it) is reasonable with little variation between supplier
  - This suggests that either the bills are similar in style ***or*** that there is a lack of consumer engagement

Rating the bill

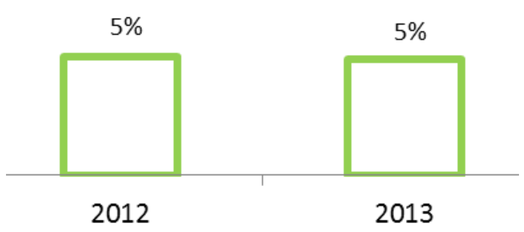


- Consumer ratings remained similar to 2012
  - Electric Ireland scores converged with market averages
  - Variability in FloGas scores reflect the small sample size
- 25% of respondents would prefer to receive bills more frequently
  - Score unchanged from 2012

COMPLAINT HANDLING

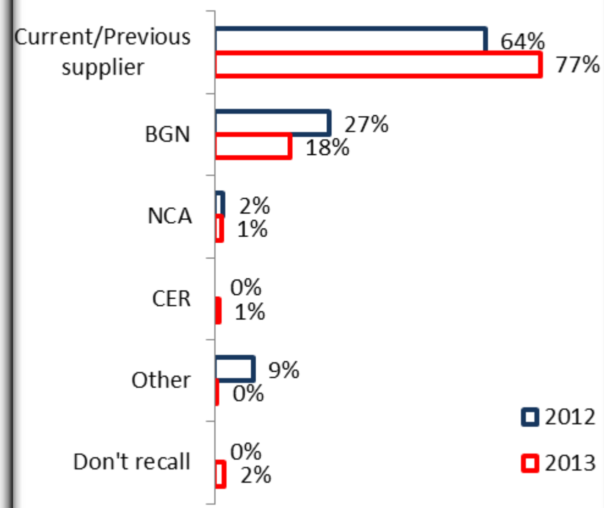
Complaint handling – propensity and topics

Proportion of respondents who complained over last year



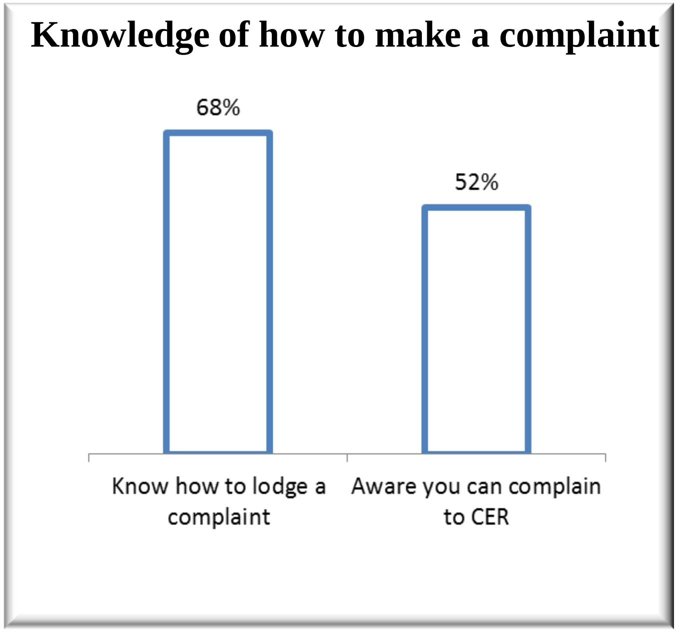
Complaint topic	2012	2013
Billing and payment	70%	52%
Late payment or disconnection	6%	2%
Connection/modification of supply	4%	12%
Reliability of supply/power failures/supply issues	2%	12%
Issue related to switching	2%	4%
Other	13%	12%

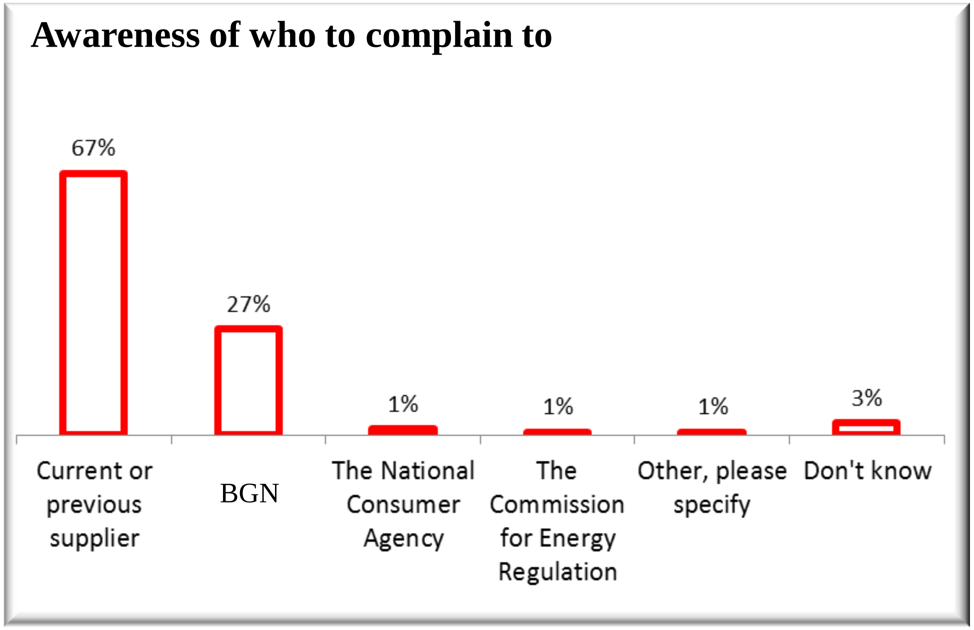
Complaint made to



- 5% of respondents had complained within the last 12 months
  - This is unchanged from 2012 and similar to the electricity research
- Reasons for complaint were more diverse with a greater proportion made to suppliers

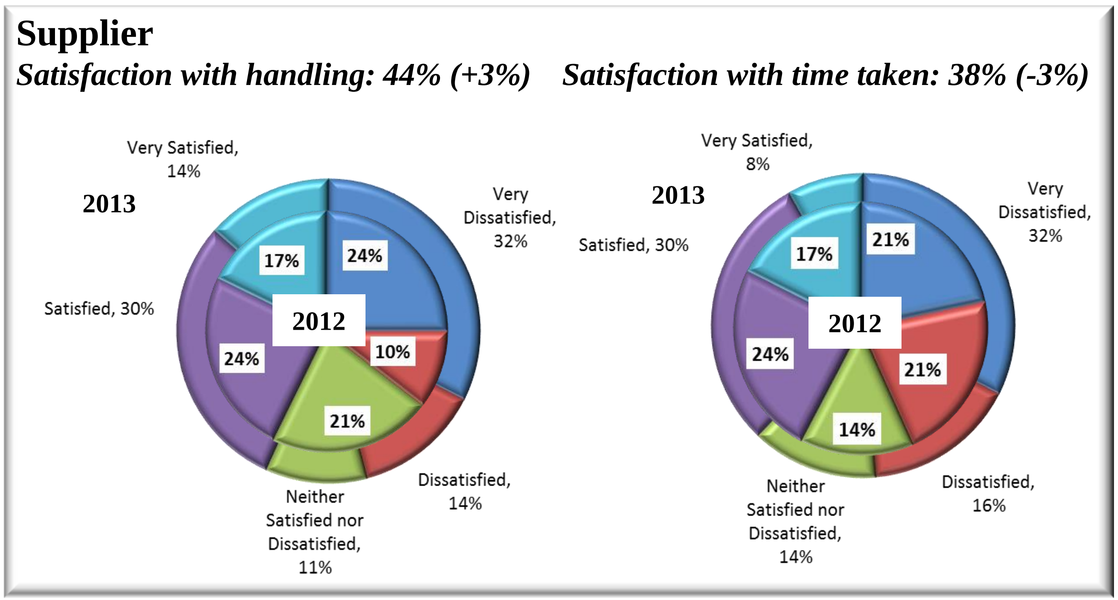
Complaint handling – awareness of process

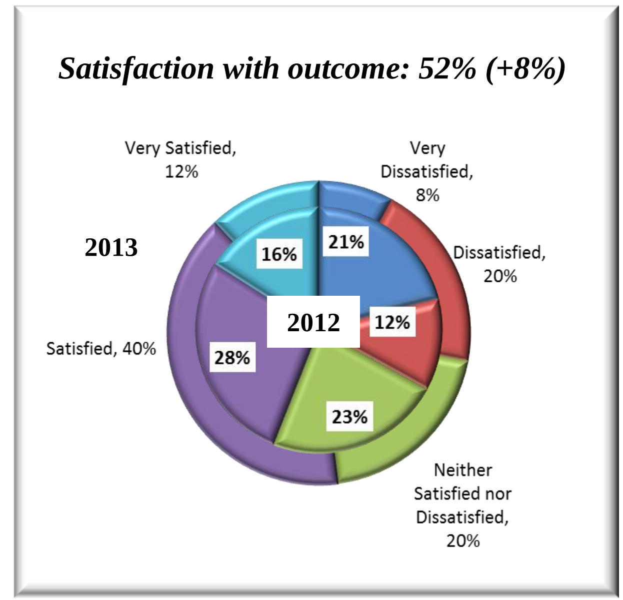




- A majority of consumers knew that they could complaint to CER
  - No respondents has lodged a complaint with CER in this research
- Most consumers understand who they should complain to
  - Change in scores for supplier and ESB Networks reflects the change in the reasons for the complaint

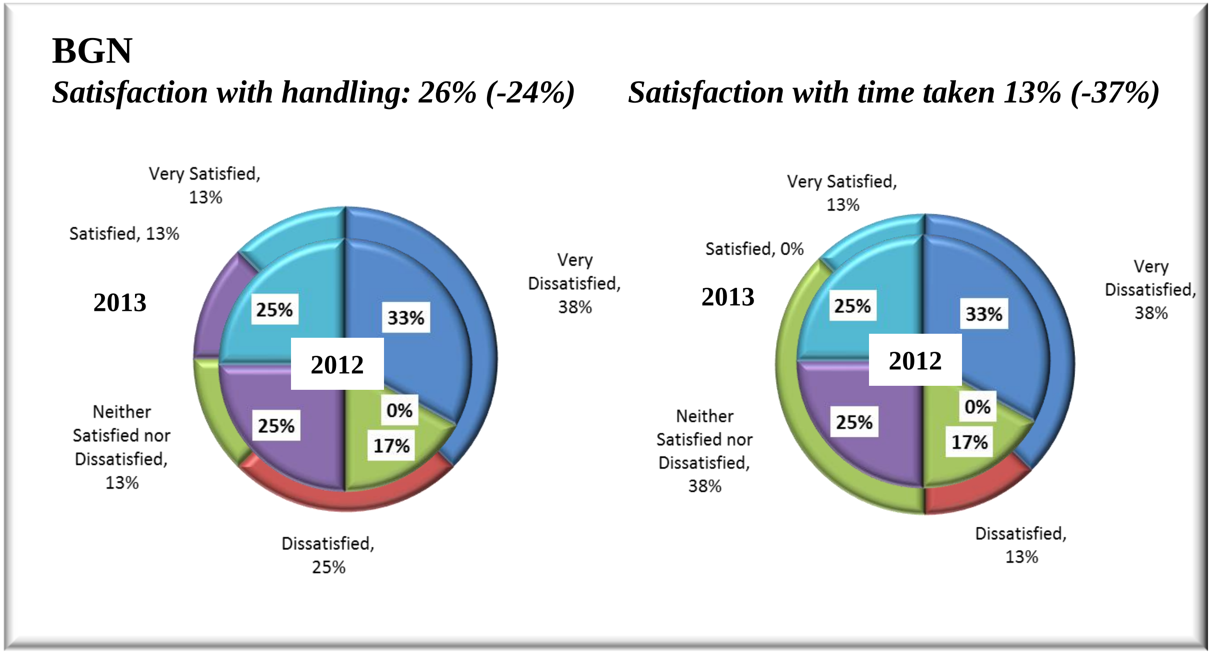
Satisfaction with handling and timeliness





- Satisfaction across Suppliers with problem handling, time taken to resolve and outcome are comparatively low but are similar to levels achieved in the electricity research

Satisfaction with handling and timeliness

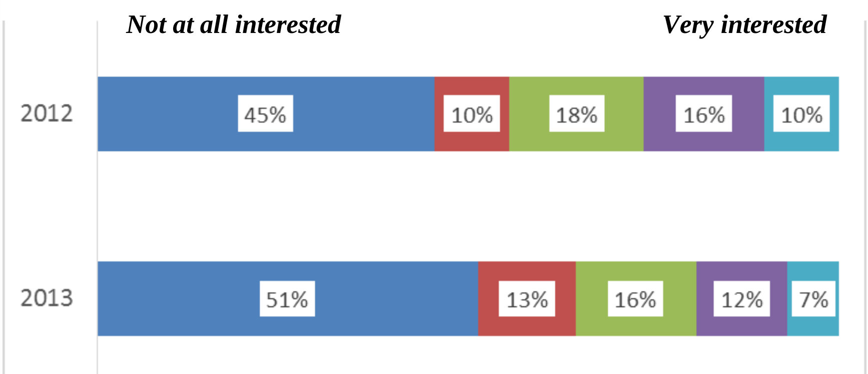


- Note: Figures are highly variable due to small sample size

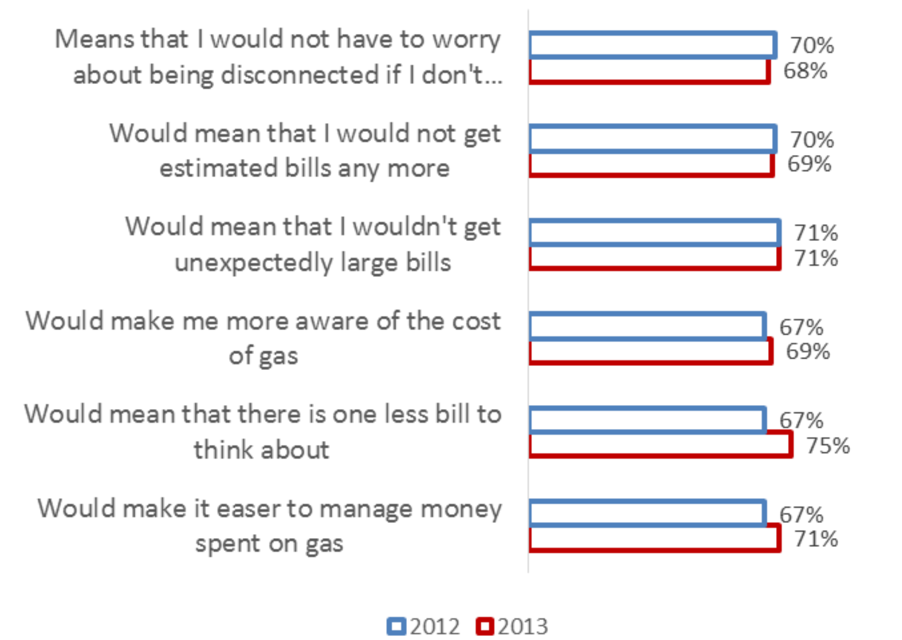
INTEREST IN PREPAYMENT

Interest in prepayment

Level of interest in prepayment (among those without prepayment meters)



Potential benefits (among those interested/very interested)

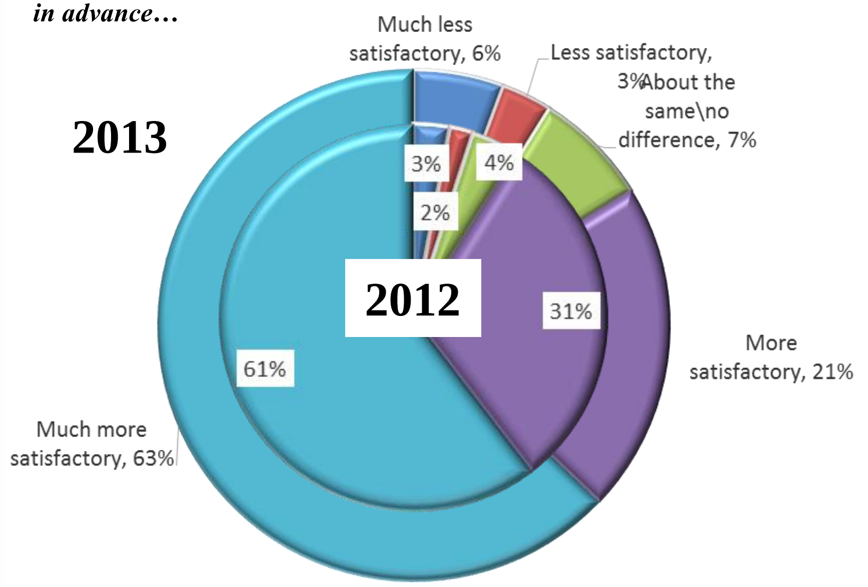


- 45% of consumers stated some level of interest in prepayment meters
  - The decline compared to 2012 is in part driven by the increased uptake in prepayment
- Reasons for being interested in receiving a prepayment meter remained similar to 2013
  - There has been increased identification of one less bill and easier to manage money benefits reflecting continuing economic difficulties

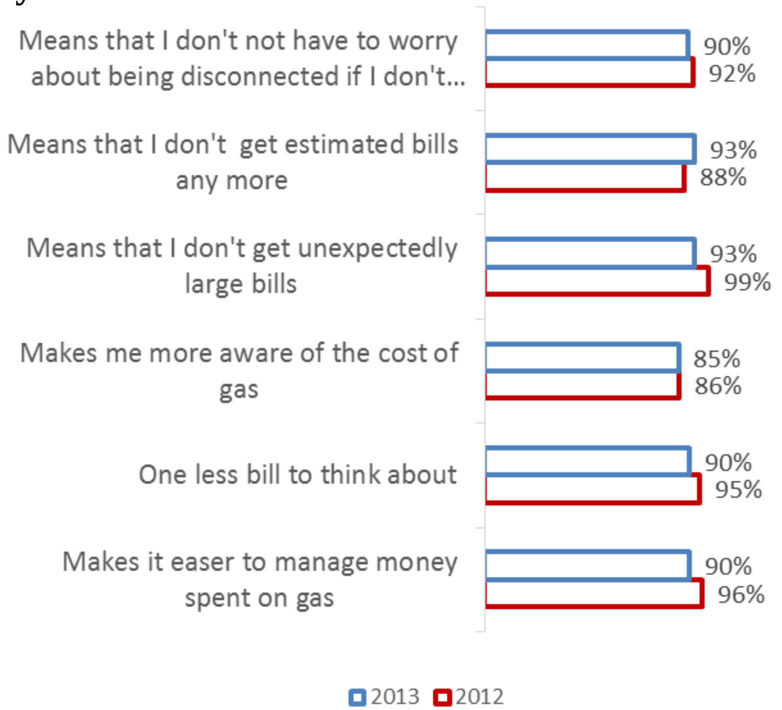
Rating of perceived benefits among consumers on prepayment

Comparative rating of prepayment and bill payment - among respondents currently on prepayment

Compared to receiving and paying bills after you have consumed the electricity, how would you rate a prepayment meter where you pay in advance…



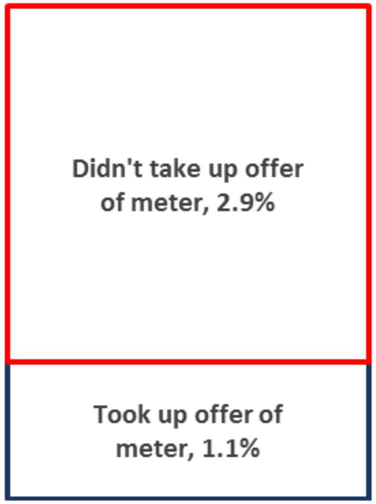
Rating the experienced benefits – among those with prepayment



- Prepayment clearly remains the preferred to bill pay by consumers on prepayment
  - A significant majority rate each of tested reasons as a primary reason for using prepayment

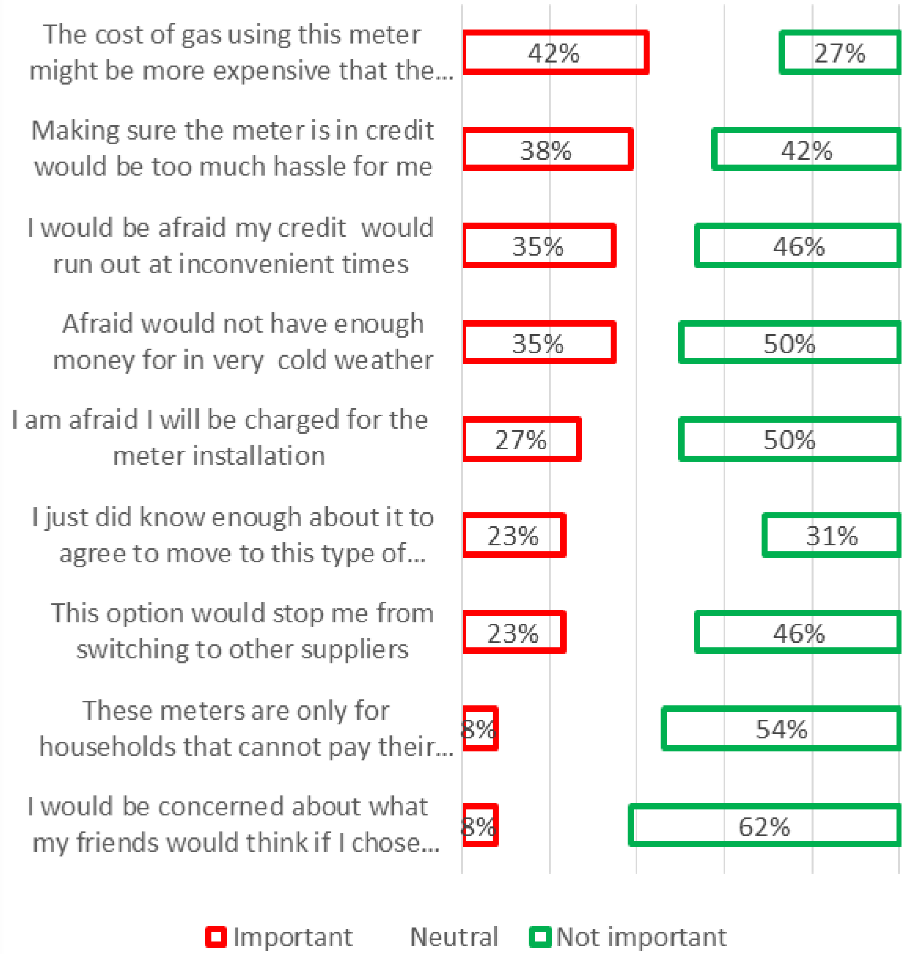
Prepayment meter take-up and barriers

Percentage of consumers offered and taking up prepayment meters



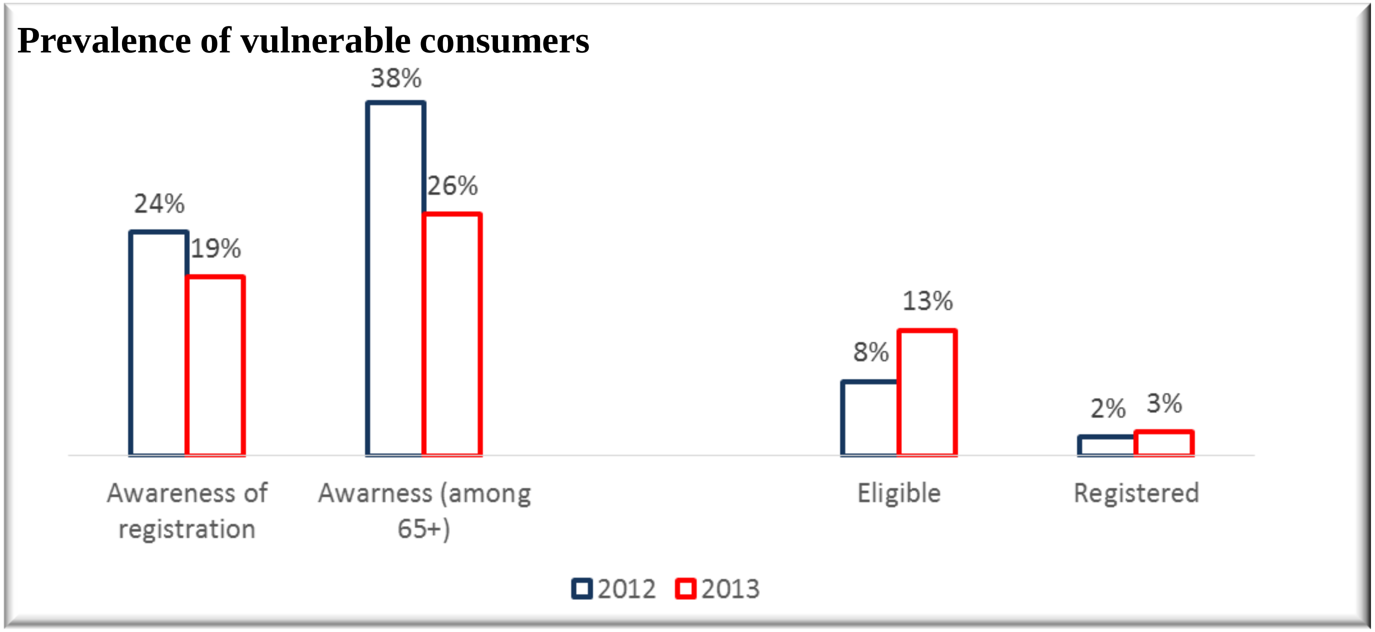
- Most consumers who were offered prepayment meters did not take-up the offer
- The most common issues were concerns about incremental cost, and cash flow

Reasons for not taking up offer of prepayment meter



VULNERABLE CUSTOMERS

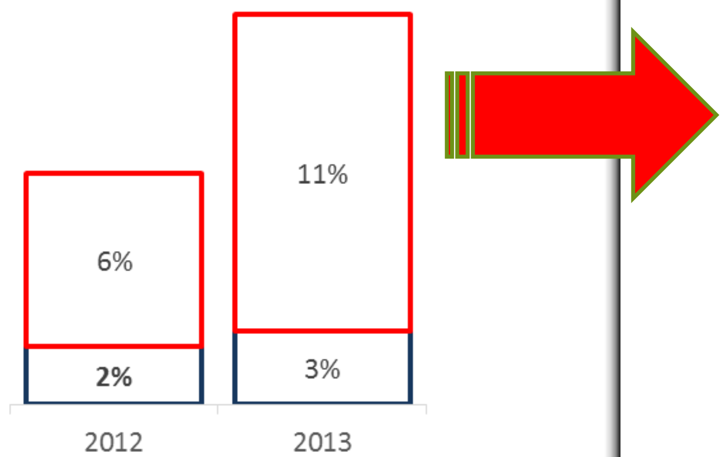
Vulnerable consumers: Prevalence and level of registration



- Awareness declined compared to 2012
- Awareness of registration is highest in the over 65 category – however most consumers in this category are not aware (74%)
- Of the 13% of the population who stated that they were eligible, 20% stated that they had registered

Reasons for registering

Prevalence of vulnerable customers



- The most common reason for lack of registration is that they did not know that it was possible to register

Reasons for not registering among consumers who state they are eligible but unregistered

Reason Rated	Overall	
	2012	2013
Did not know that I could register	80.0%	78.8%
Do not know who to contact in order to register	1.5%	4.4%
Did not know what I needed to do in order to register	6.2%	3.5%
Do not think that I need to register as I can manage without electricity occasionally	1.5%	3.5%
Would be concerned about giving that sort of confidential information to my supplier	0.0%	2.7%
Other	3.1%	0.9%
Don't know	7.7%	6.2%

END