

STRAT 7



SGN

Your gas. Our network.

GD3 Research Programme Phase B Research

Quantifying the relative importance &
appetite for investment within the
customer priorities

December 2023



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Background and objectives

Background and objectives

As part of their regulatory obligations, SGN are required to submit their Business Plan for GD3 to Ofgem and it is vital that the business plan is shaped and informed by customer needs. SGN therefore designed a long-term, mixed-method research programme to engage with their customers and gather both informed and uninformed views on their plans for the future.

The overall objectives of the programme are to:

1

Collect customer input to shape decision making in our business plan.



2

Provide a solid evidence base of our customers' views in our business plan.

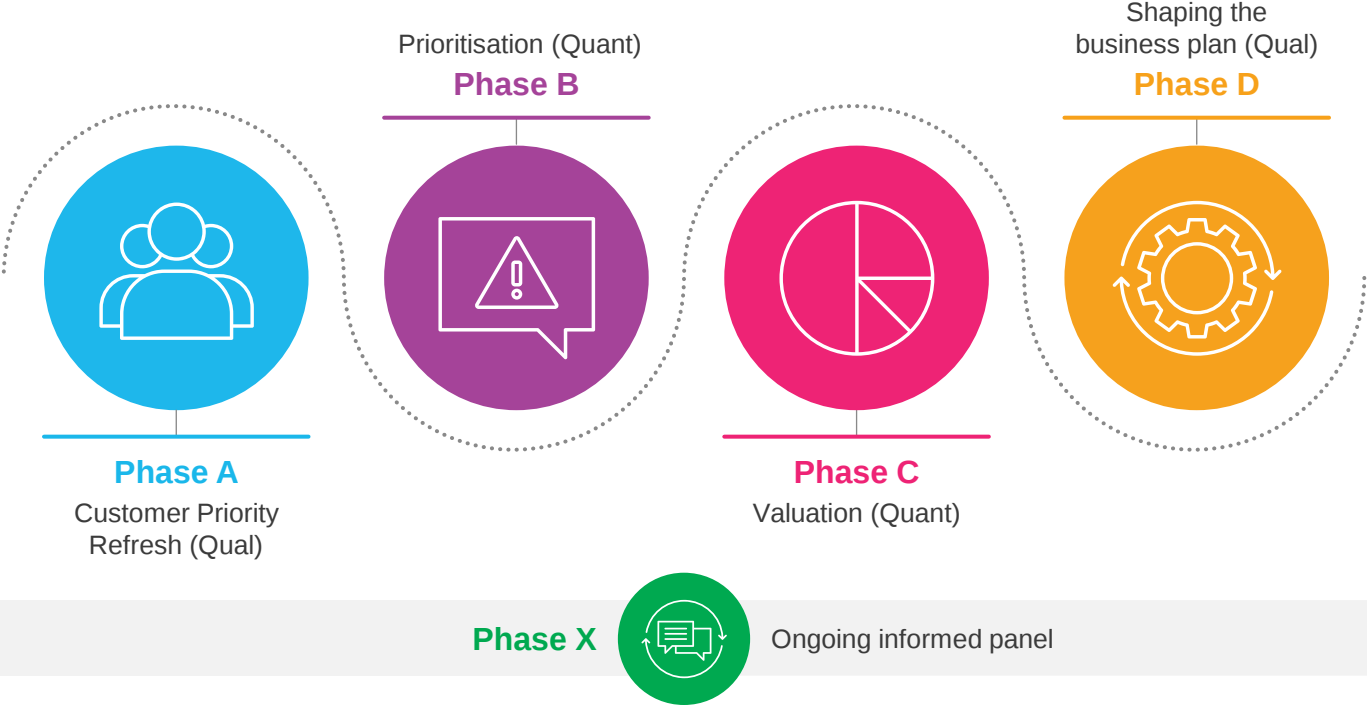


3

Submit a business plan that customers consider to be acceptable, affordable and provides value for money.



The overall programme combines qualitative and quantitative research components – each stage will feed into the next:



This report focuses on the outputs from Phase B – the aim of which was to quantify the relative importance and appetite for investment within the customer priorities

This report focuses on the findings from **Phase B only**



Phase B
Prioritisation (Quant)

Phase B was designed to quantify the relative importance and appetite for investment within the areas explored deliberatively in phase A.

More specifically, this phase was designed to answer the following questions:

- How important is each priority area?
- Should SGN invest more, the same or less time and money in each priority area?
- Which specific initiatives should SGN invest their time and money?

This involved speaking to three key audience groups:

1. Domestic Gas Customers (including fuel poor)
2. Future Energy Customers
3. SME Customers



Approach

We interviewed a total of 3,001 current/future customers across the Scottish and Southern regions using an online panel approach

2,001 Domestic Gas Customers

675 Scotland

1326 England

All were gas bill payers

Quotas were set on age, gender and SEG within region

Those in fuel poverty, on the PSR, with disabilities/limiting factors, ethnic minorities and non-native English speakers fell out in sufficient numbers to undertake separate analysis

Data has been weighted by age, gender & SEG within SGN regions

500 Future Energy Customers

162 Scotland

338 England

18-24 year olds who were not direct gas bill payers

All had a gas boiler as source of heating/hot water

Bills were included as part of their rent or not paid at all

Data has been weighted by gender within SGN regions

500 SMEs

167 Scotland

333 England

All have a business account and are responsible for/involved in managing their gas supply

200 x 1-10 employees, 150 x 10-50 employees, 150 x 51-250 employees

Good spread of interviews by sector

Data has been weighted by size and SGN region



The questionnaire was piloted with a cross section of respondents prior to its launch (Note: it was cognitive tested and soft launched)
In addition, we interviewed 41 x Domestic, 9 x Future Energy and 9 x SME customers from our Phase X panel. Results from the Domestic respondents have been provided within this report
December 2023

All respondents were shown an introduction to SGN, explaining its role, BEFORE answering any questions about its business priorities...

1.

In the UK, Ofgem are the government department responsible for regulating the gas industry.

They set targets and monitor performance. This includes monitoring how much profit gas distributors and energy providers can make.

2.

SGN is your Gas Distribution Network.

They own and maintain most of the pipes which transport gas to nearly six million homes and businesses across Scotland and parts of Southern England regardless of whoever you pay your gas bill to.



3.

SGN work in customer homes, businesses and the broader communities to: **respond to gas emergencies, maintain the pipe network and connect new customers** (e.g. if a new building has been constructed).

Continued...

4.

SGN do not own or sell gas, nor do they set gas prices

SGN is not responsible for:

- **Your internal gas pipes or appliances.** Customers and/or businesses are responsible for these.
- **Your gas supply and meter.** That falls to your energy provider e.g. British Gas, Octopus Energy, etc.)



- **SGN pass the cost of maintaining the pipes onto customers, but customers are not billed directly by SGN.** Instead, this cost is included in the bill customers get from their energy provider.
- **In 2021/22, this fixed cost formed about £150 of an average customers' annual bill.**



5.

The Government has committed to reach net zero emissions by 2045 in Scotland and 2050 in England

In order to meet these ambitious targets, energy companies like SGN will need to **decarbonise and transition away from fossil fuels**, like natural gas, to low carbon alternatives such as hydrogen and biomethane.

SGN is currently developing its business plan for 2026 onwards, which will need to be approved by Ofgem. This means they're **reviewing their key priorities** and **where they should be investing their time and money**.



Key learnings

Key learnings

1

How important is each priority area (currently)?

As with the previous qualitative research, *acting safely* and *keeping the gas flowing* are the two most important priorities

These are followed by *investing in efficiencies to minimise cost* (esp. *important to Domestic*), *providing excellent service* (esp *SMEs*) and *supporting vulnerable customers* (esp. *Future Energy customers*)

Improving SGN's environmental performance and *delivering new low-carbon energy solutions* are more likely to be 'fairly' rather than 'very' important priorities

2

Where should SGN invest their time & money (in their next five-year plan)?

In the future, customers would like SGN to invest more time and money *delivering new low-carbon energy solutions* (esp. *Domestic*) and *supporting vulnerable customers* (esp. *SMEs*)

After this, SGN should focus more of their time and money on *their environmental performance* and *investing in efficiencies to minimise cost*

Most believe SGN should continue to invest the same time and money *providing an excellent service, keeping the gas flowing* and *acting safely*

3

What should be the key initiatives* over the 5 years from 2026?

The top five initiatives are the same across all audiences

Minimising future price increases by investing in efficiency measures and *providing additional support to fuel poor customers* are the top two initiatives for all audiences

Reducing the environmental impact from gas leaks, updating the existing network so it's ready to transport 'greener' low carbon gas and *identifying customers in vulnerable situations earlier to better support them* (esp. *Future*) are the next most important initiatives

*These initiatives excluded the *acting safely* and *keeping the gas flowing* hygiene issues



What's important to customers
(broad priority areas)?

We explored SGN's 7 key priority areas

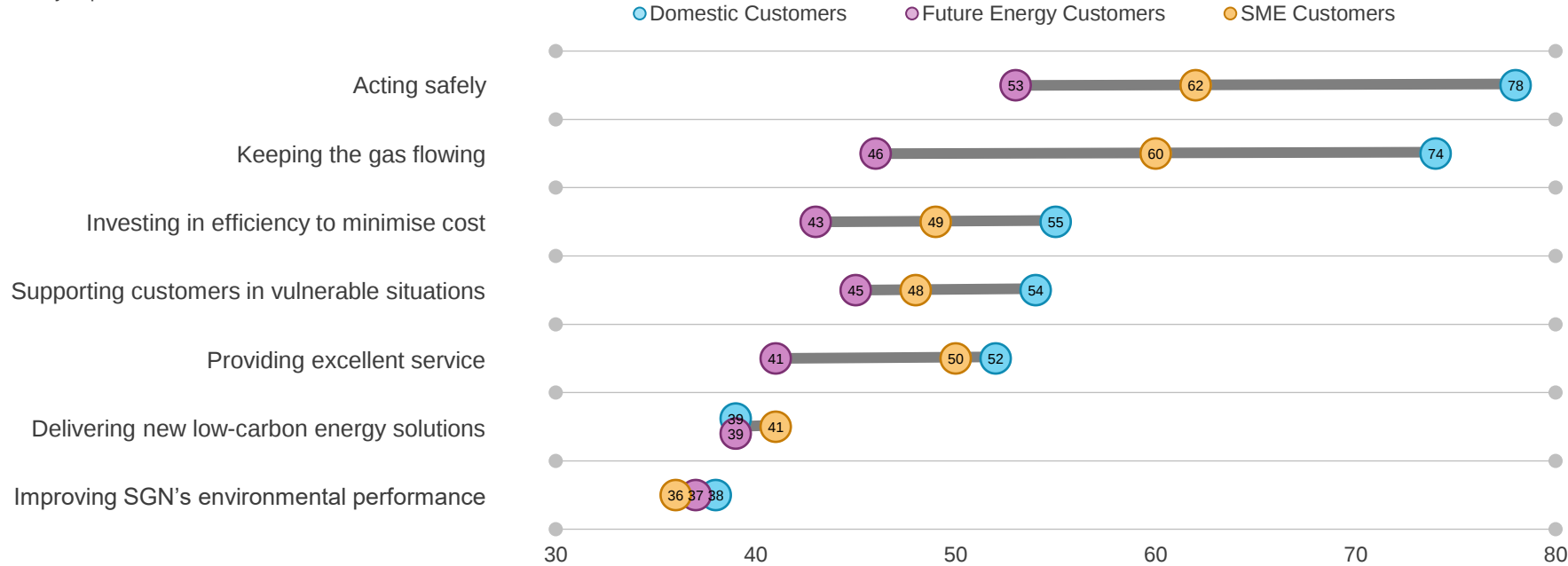


Respondents read through each of the key priority areas before answering the importance questions. Note: The quant research could not go into the same level of detail as the deliberative research / 'Investing in efficiency to minimise cost' was used instead of 'keeping costs down'

When looking across the audiences, *acting safely* and *keeping the gas flowing* are currently the two most important priorities, whilst *improving SGN’s environmental performance* and *delivering new low-carbon energy solutions* are the two least important priorities

Importance of SGN’s priority areas to customers – Comparison between customer groups

% Very important

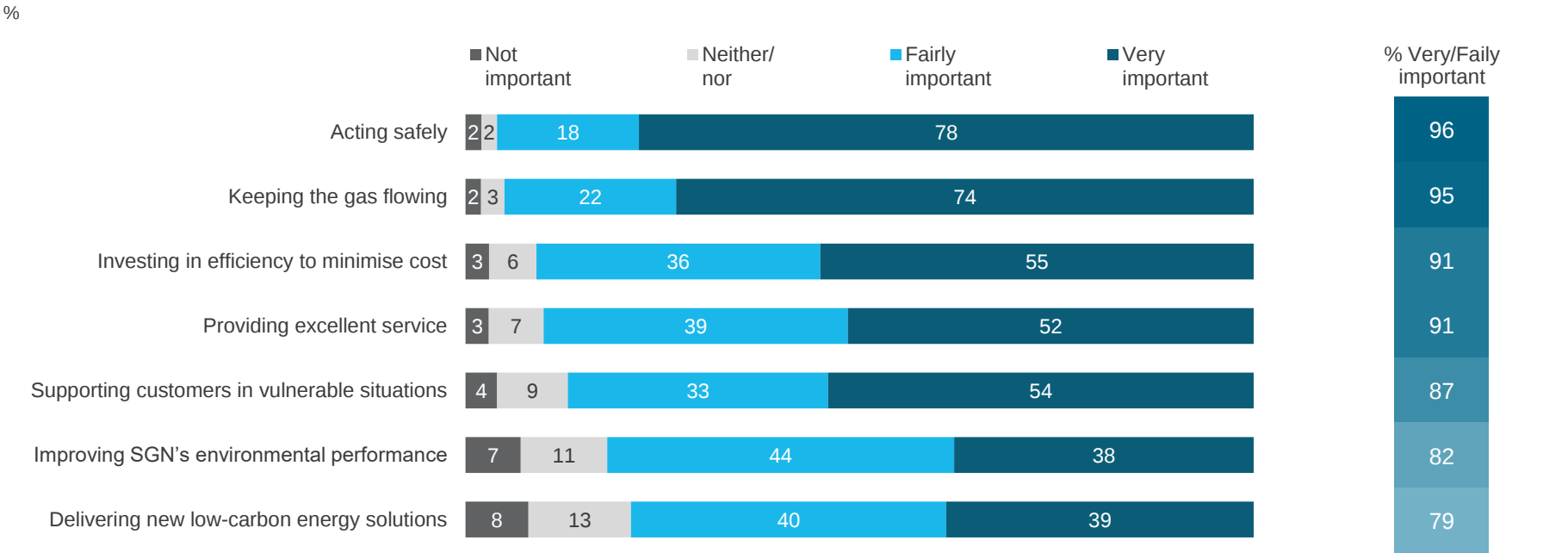


B1. The options below represent some of SGN’s priorities. How important are these areas to you as [a business/organisation / a home energy user / someone who will be paying energy bills in the future]?
Base: All Respondents – Domestic / Future Energy / SME customers (n= 2001/500/500)

Bar length = Range of scores. The longer the bar the more differentiation there is between the 3 Customer groups on an issue

Acting safely and keeping the gas flowing are currently the two most important priorities for Domestic customers – followed by *investing in efficiencies to minimise cost, providing excellent service* and *supporting vulnerable customers*

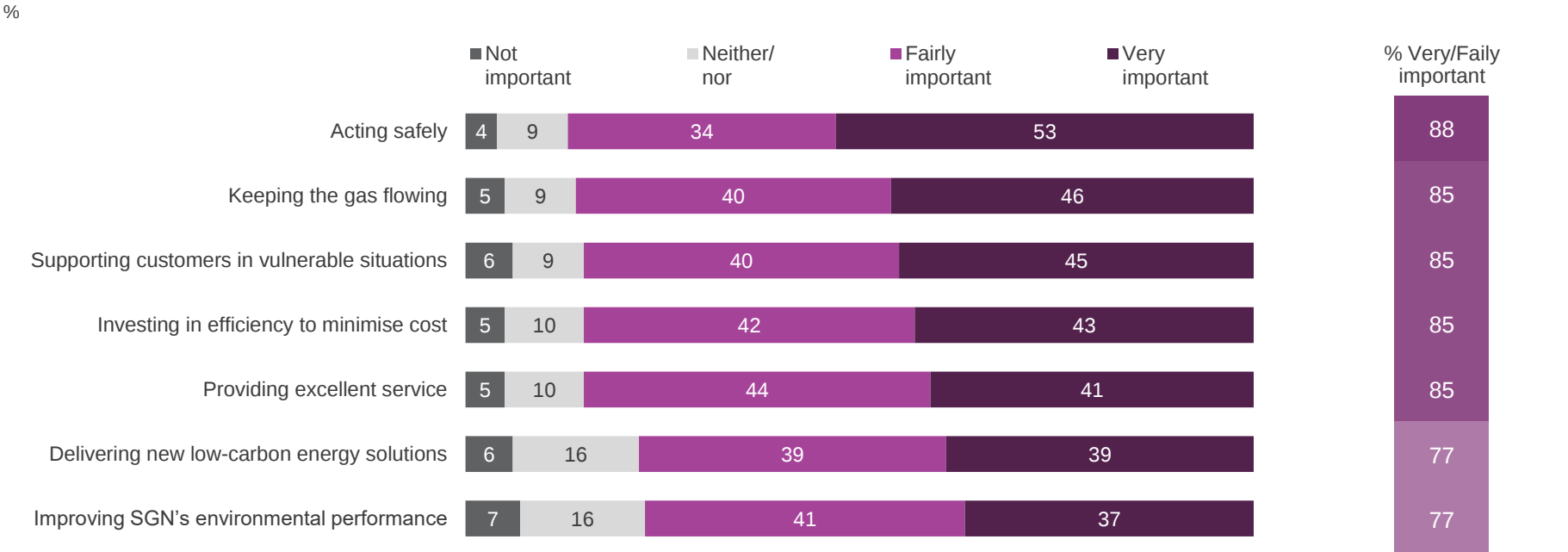
Importance of SGN's priority areas to customers – Domestic Customers



B1. The options below represent some of SGN's priorities. How important are these areas to you as [a business/organisation / a home energy user / someone who will be paying energy bills in the future]?
Base: All Respondents – Domestic customers (n=2001)

Acting safely is also the most important priority for Future Energy customers – followed by *keeping the gas flowing, supporting vulnerable customers, investing in efficiencies to minimise cost and providing excellent service*

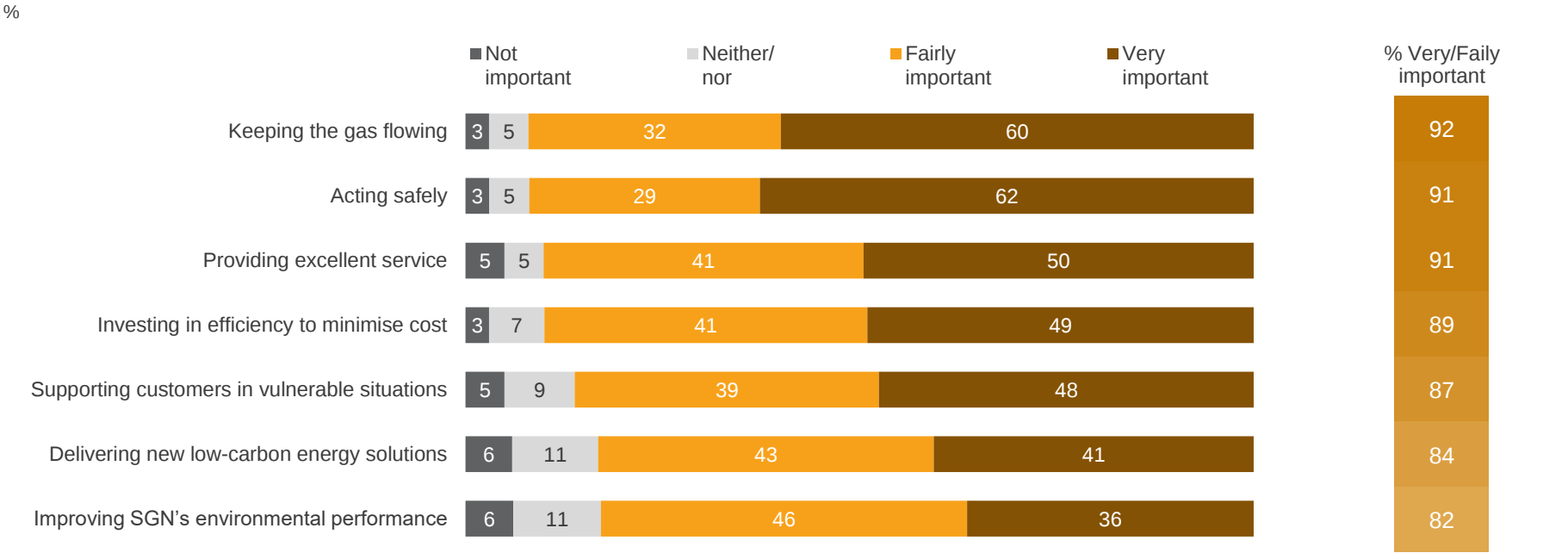
Importance of SGN’s priority areas to customers – Future Energy Customers



B1. The options below represent some of SGN's priorities. How important are these areas to you as [a business/organisation / a home energy user / someone who will be paying energy bills in the future]?
Base: All Respondents – Domestic / Future Energy / SME customers (n=500)

Acting safely and keeping the gas flowing are also the two most important priorities for SMEs – followed by providing excellent service, investing in efficiencies to minimise cost and supporting vulnerable customers

Importance of SGN’s priority areas to customers – **SME Customers**

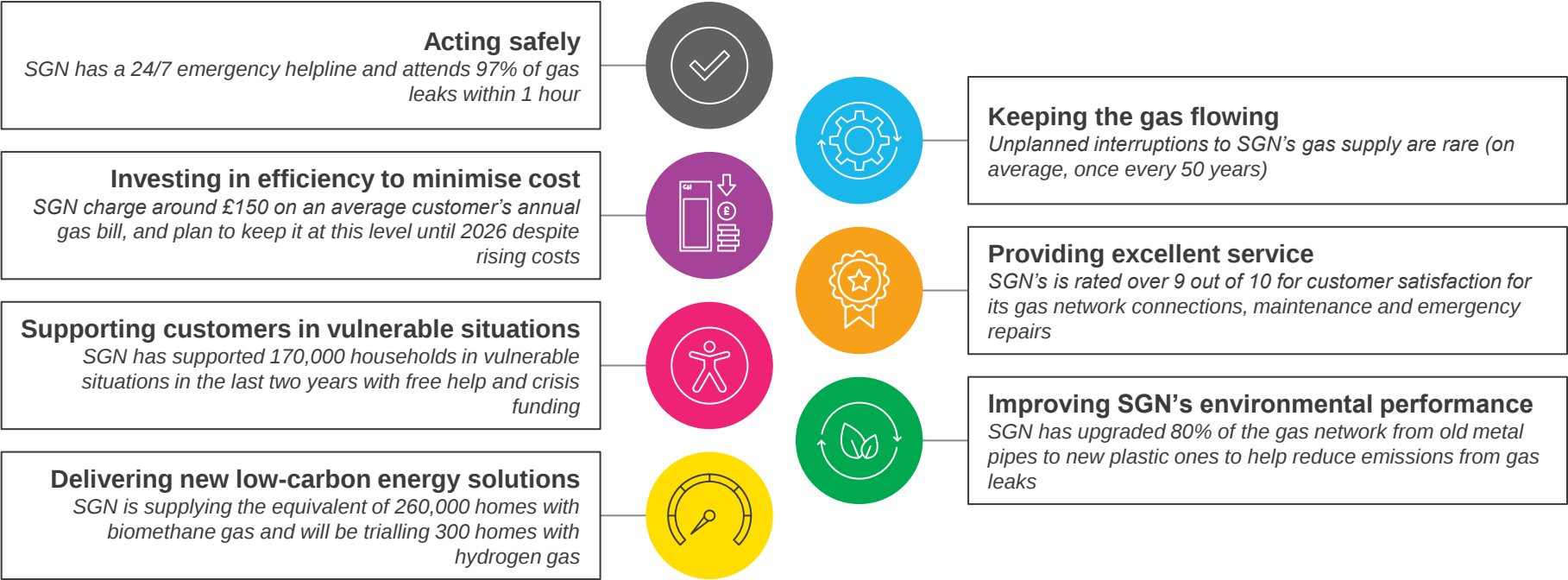


B1. The options below represent some of SGN's priorities. How important are these areas to you as [a business/organisation / a home energy user / someone who will be paying energy bills in the future]?
Base: All Respondents – SME customers (n=500)



Where should SGN invest their time and money?

We explained SGN's current offer in relation to each priority area



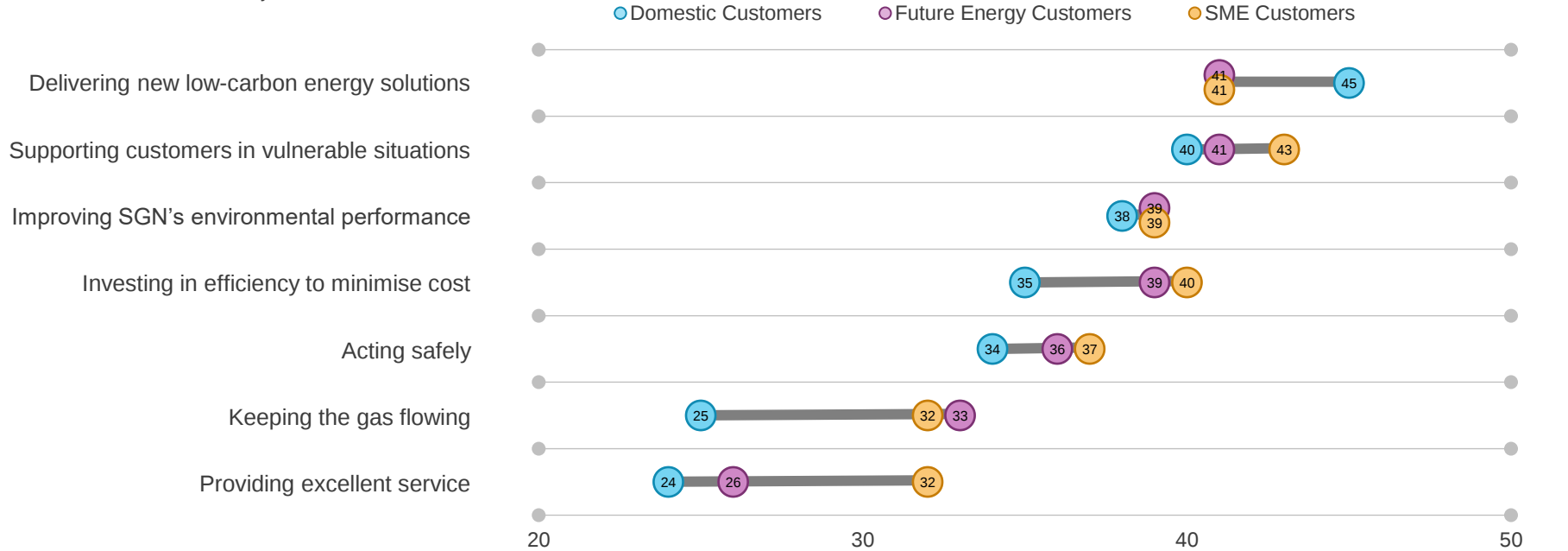
Respondents read through each of these statements before answering the 'appetite for investment' questions. Note: The quant research could not go into the same level of detail as the deliberative research / 'Investing in efficiency to minimise cost' was used instead of 'keeping costs down'

B2. SGN currently deliver the following. SGN is developing a five-year business plan. In your opinion, should they invest more, the same or less time and money in <XXXX>?

In the future, customers would like SGN to invest more of their time and money *delivering new low-carbon energy solutions and supporting vulnerable customers.*

Priorities for five-year business plan – Comparison between customer groups

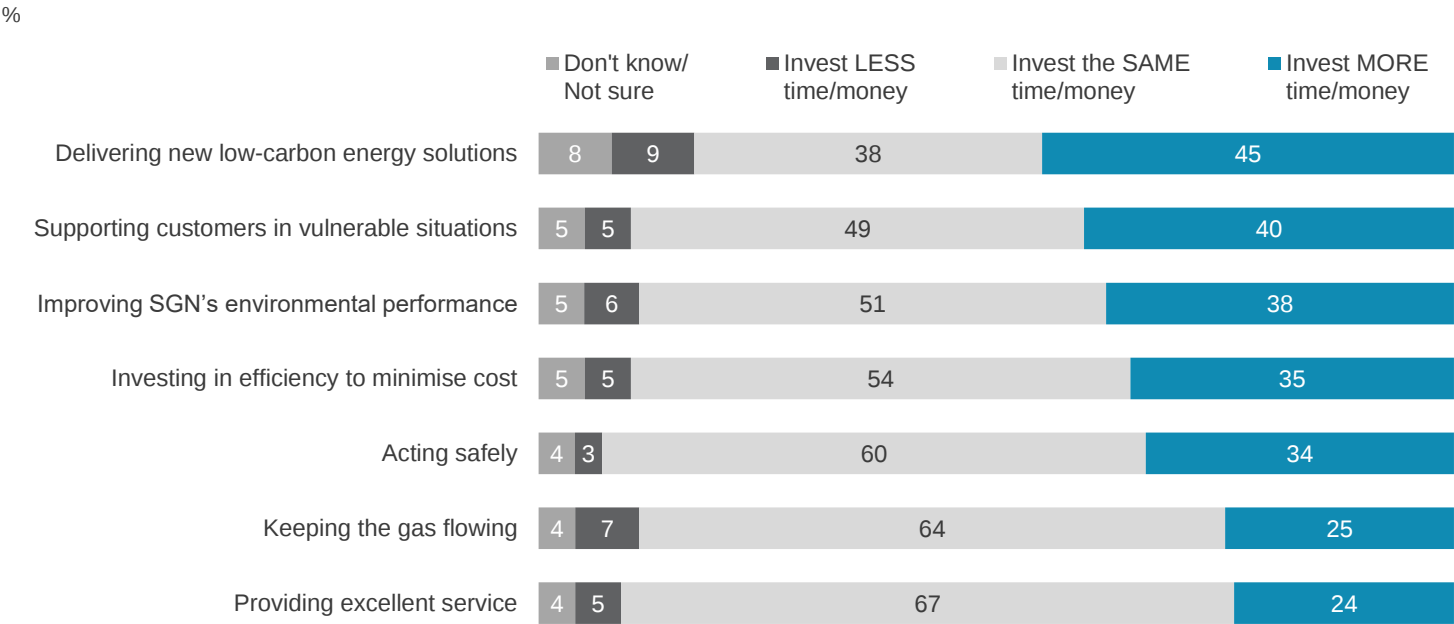
% Invest MORE time and money



B2. SGN currently deliver the following. SGN is developing a five-year business plan. In your opinion, should they invest more, the same or less time and money in <XXXX>?
Base: All Respondents – Domestic / Future Energy / SME customers (n=2001/500/500)

In particular, Domestic customers believe SGN should invest more of their time and money *delivering new low-carbon energy solutions*. They feel SGN should invest the same time and money *providing excellent service, keeping the gas flowing and acting safely*

Priorities for five-year business plan – Domestic Customers



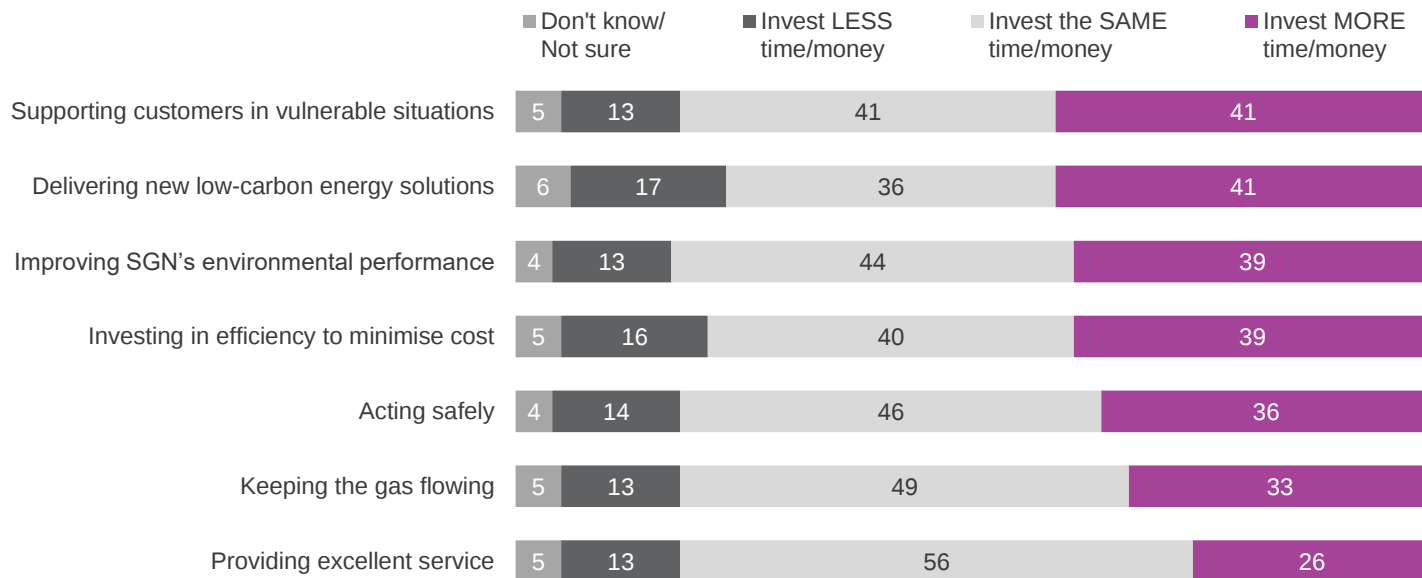
B2. SGN currently deliver the following. SGN is developing a five-year business plan. In your opinion, should they invest more, the same or less time and money in <XXXX>?

Base: All Respondents – Domestic customers (n=2001)

Future Energy customer views are more polarised. They are more likely to say SGN should invest more time and money *supporting vulnerable customers* and *delivering new low-carbon energy solutions*

Priorities for five-year business plan – Future Energy Customers

%

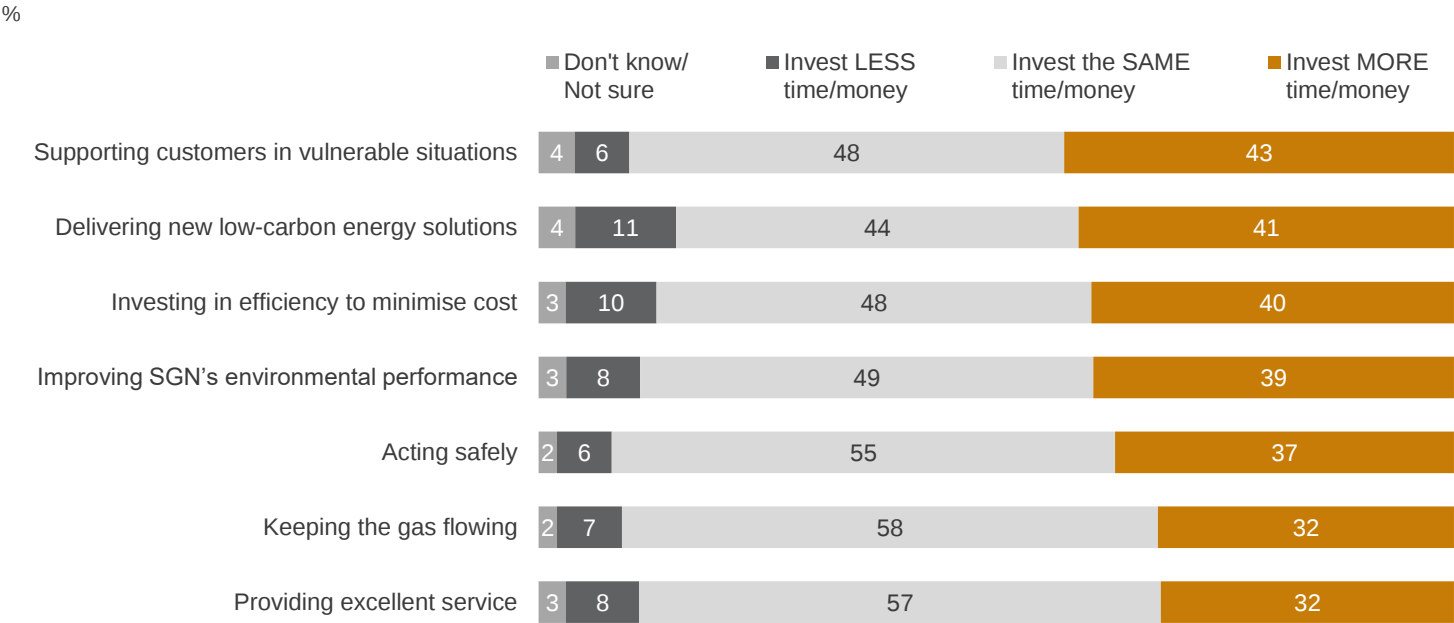


B2. SGN currently deliver the following. SGN is developing a five-year business plan. In your opinion, should they invest more, the same or less time and money in <XXXX>?

Base: All Respondents – Future Energy customers (n=500)

SMEs are also more likely to say that SGN should invest more time and money supporting *vulnerable customers* and *delivering new low-carbon energy solutions* – then investing in *efficiencies to minimise cost* and *improving their environmental performance*

Priorities for five-year business plan – SME Customers



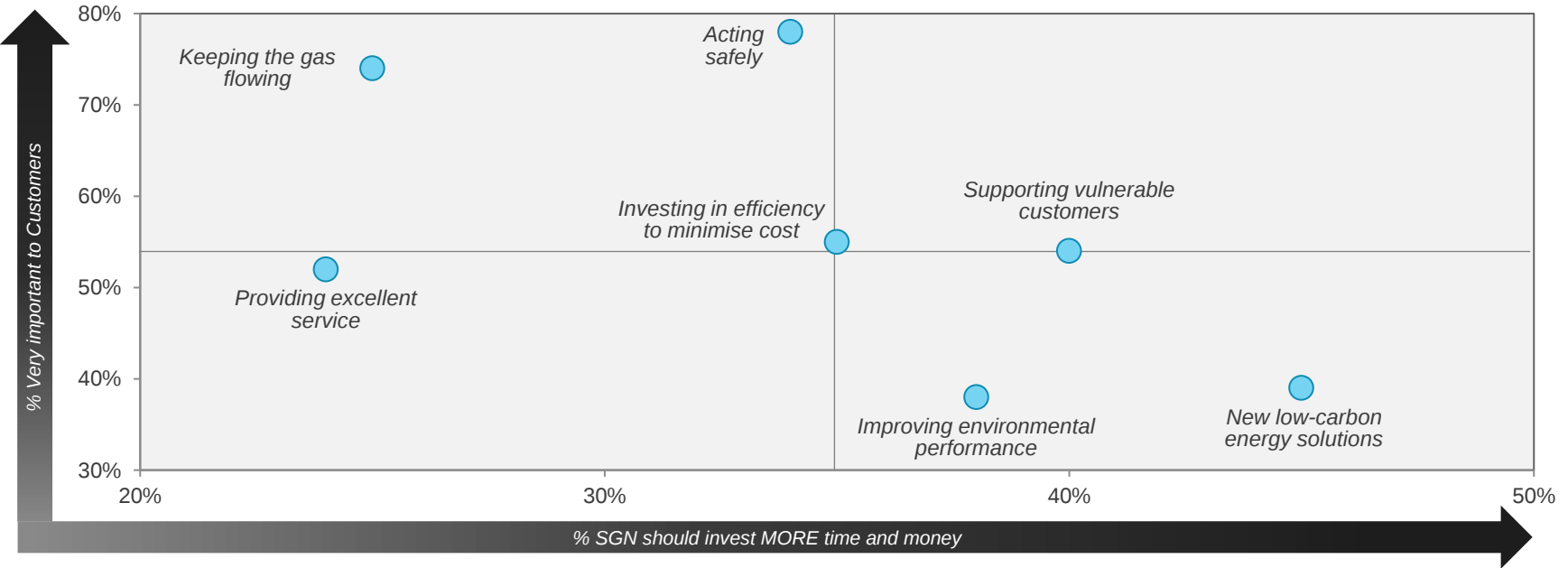
B2. SGN currently deliver the following. SGN is developing a five-year business plan. In your opinion, should they invest more, the same or less time and money in <XXXX>?
Base: All Respondents – SME customers (n=500)



Importance vs Investment quadrants

Domestic customers believe SGN should invest more time and money in areas that are not currently key priorities

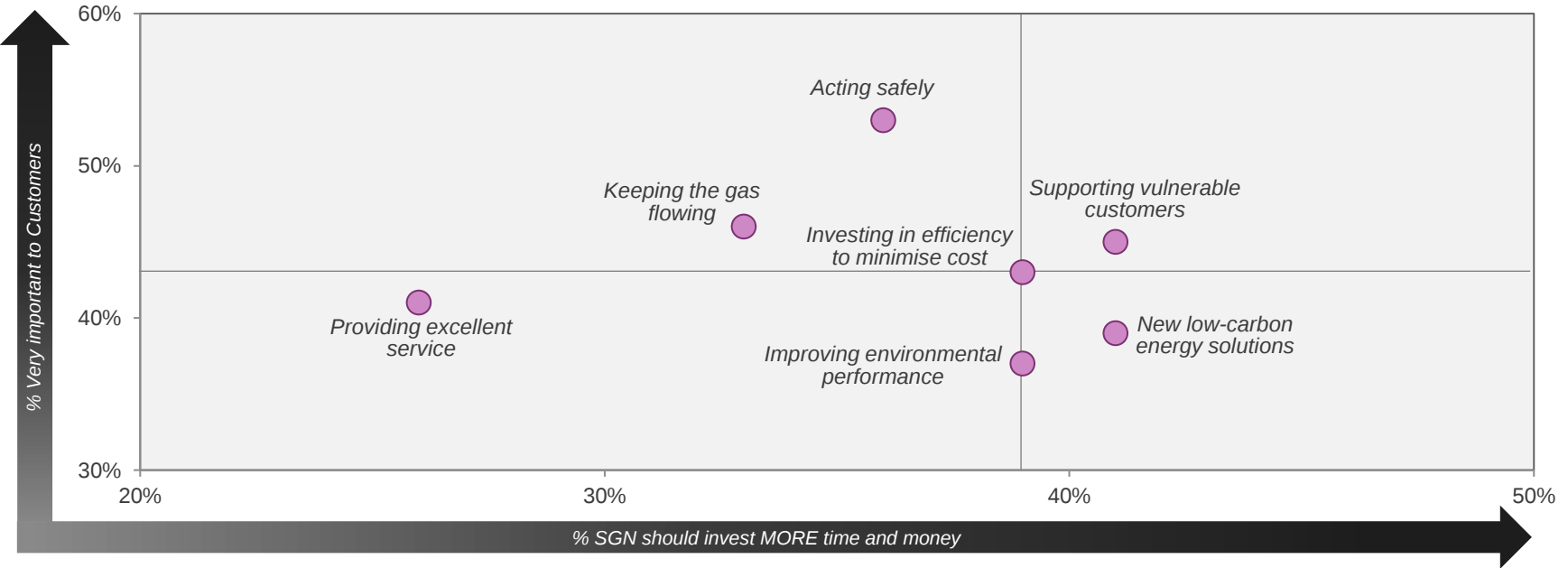
Importance to customers vs. Priorities for five-year business plan – Domestic Customers



B1. The options below represent some of SGN's priorities. How important are these areas to you as [a business/organisation / a home energy user / someone who will be paying energy bills in the future]?
B2. SGN currently deliver the following. SGN is developing a five-year business plan. In your opinion, should they invest more, the same or less time and money in <XXXX>?
Base: All Respondents – Domestic customers (n=2001)

The picture is less clear for Future Energy Customers, but two of the four key investment areas are currently considered to be less important

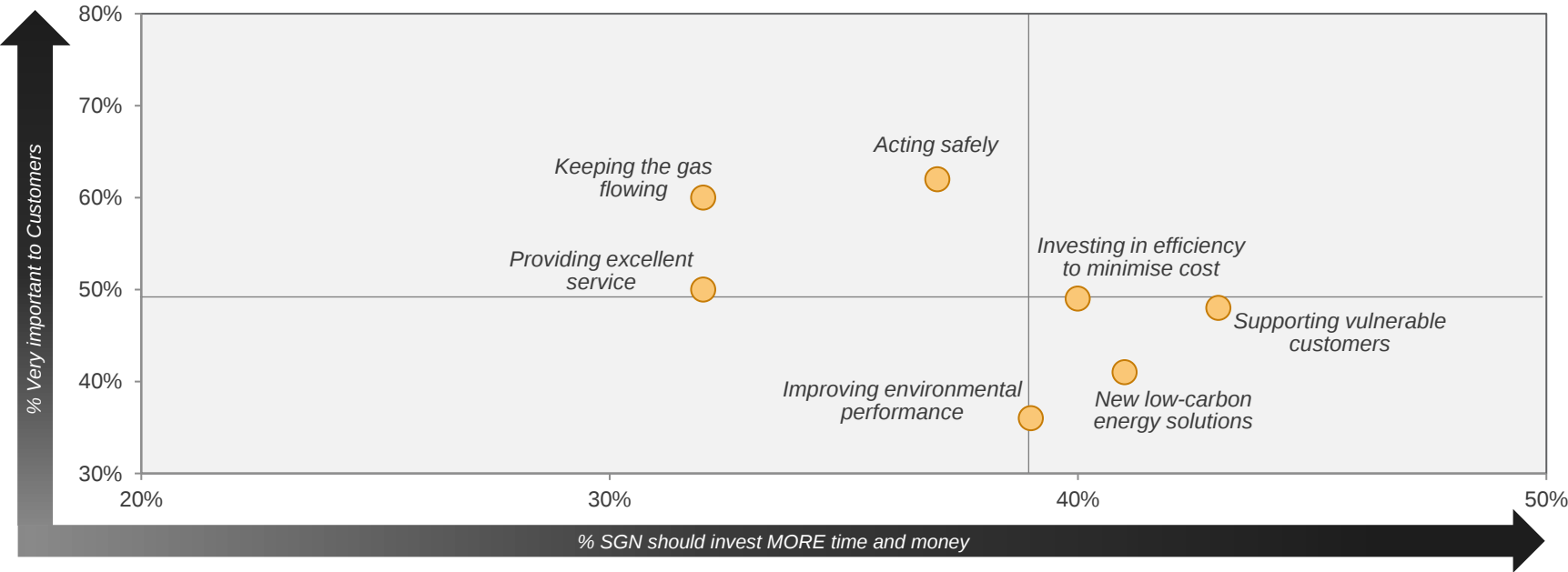
Importance to customers vs. Priorities for five-year business plan – Future Energy Customers



B1. The options below represent some of SGN's priorities. How important are these areas to you as someone who will be paying energy bills in the future?
B2. SGN currently deliver the following. SGN is developing a five-year business plan. In your opinion, should they invest more, the same or less time and money in <XXXX>?
Base: All Respondents – Future Energy customers (n=500)

SMEs believe that SGN should invest more time and money in areas that are not currently considered to be key priorities

Importance to customers vs. Priorities for five-year business plan – SME Customers



B1. The options below represent some of SGN's priorities. How important are these areas to you as [a business/organisation / a home energy user / someone who will be paying energy bills in the future]?
B2. SGN currently deliver the following. SGN is developing a five-year business plan. In your opinion, should they invest more, the same or less time and money in <XXXX>?
Base: All Respondents – SME customers (n=500)



Differences in priorities by subgroup

There is a high level of consistency across the subgroups. However, as expected, *supporting customers in vulnerable situations* comes through most strongly for those in fuel poverty, on the PSR and/or with a disability.

SGN's priority areas – importance to customers and priorities for five-year business plan – Domestic Customers by subgroup

	Region				'At risk' factors				
	TOTAL	Scotland	Southern		In 'Fuel Poverty'	On PSR	Disability/limiting factor	Ethnic minority	English is 2nd language
	Base 2001	675	1326		993	481	580	134	78
% Very important to customers									
Acting safely	78	81	76		77	77	78	66	72
Keeping the gas flowing	74	74	73		73	74	74	64	61
Investing in efficiency to minimise cost	55	55	55		56	57	55	54	54
Supporting customers in vulnerable situations	54	60	52		58	65	63	53	57
Providing excellent service	52	54	51		54	55	52	56	49
Delivering new low-carbon energy solutions	39	40	39		39	42	44	38	37
Improving SGN's environmental performance	38	40	37		39	42	43	37	40
% SGN should invest MORE time and money									
Delivering new low-carbon energy solutions	45	45	46		45	46	48	40	54
Supporting customers in vulnerable situations	40	41	40		44	48	45	47	38
Improving SGN's environmental performance	38	39	38		39	41	40	45	50
Investing in efficiency to minimise cost	35	36	35		35	35	37	36	32
Acting safely	34	34	33		36	39	37	46	37
Keeping the gas flowing	25	24	26		28	30	24	28	22
Providing excellent service	24	23	24		26	31	26	28	22

NOTE:
In 'Fuel Poverty' =
Regularly struggle to pay bills
+ Monitor bills to ensure
sufficient funds

'Monitor bills' respondents are
more similar to the Total,
'Regularly struggle'
respondents are more
divergent

For example, % Very Imp for
Supporting vulnerable
customers:
Total sample: 54%
Regularly struggle: 63%
Monitor bills: 56%

B1. The options below represent some of SGN's priorities. How important are these areas to you as a home energy user?
B2. SGN currently deliver the following. SGN is developing a five-year business plan. In your opinion, should they invest more, the same or less time and money in <XXXX>?
Base: All Domestic customers – bases sizes shown above

Subgroup data is significantly higher than the Total

SMEs based in the Southern region/working in Retail feel that *acting safely* is more important. Those heavily reliant on gas are more likely to state that SGN should invest more in *efficiency to minimise cost, keeping the gas flowing and providing excellent service*

SGN's priority areas – importance to customers and priorities for five-year business plan – **SME Customers** by subgroup

	%	TOTAL	Region		No. of employees			Sector					'At risk' factors	
			Scot land	South ern	1-10	11-50	51-250	Producti on	Retail/ Leisure	Finance /Bus	Public service	Other service	Heavily reliant on gas	Fuel poverty
Base		500	167	333	200	150	150	113	100	72	54	161	190	310
% Very important to customers														
Acting safely		62	54	67	68	59	59	57	77	53	63	62	64	58
Keeping the gas flowing		60	53	63	64	60	54	59	68	54	56	59	59	55
Providing excellent service		50	47	52	55	47	48	47	54	46	50	52	52	44
Investing in efficiency to minimise cost		49	51	47	56	42	45	51	50	47	39	50	51	47
Supporting customers in vulnerable situations		48	48	48	52	43	49	45	45	43	57	51	50	47
Delivering new low-carbon energy solutions		41	39	42	41	43	38	38	49	38	41	39	46	42
Improving SGN's environmental performance		36	35	37	40	31	37	37	39	33	32	37	41	34
% SGN should invest MORE time and money														
Supporting customers in vulnerable situations		43	43	42	43	41	45	48	41	37	52	39	44	45
Delivering new low-carbon energy solutions		41	35	44	39	44	41	44	46	50	39	33	41	40
Investing in efficiency to minimise cost		40	38	40	38	40	41	39	41	43	37	38	49	41
Improving SGN's environmental performance		39	38	40	37	38	44	42	42	35	41	37	43	40
Acting safely		37	34	39	40	37	35	38	37	44	33	35	43	39
Keeping the gas flowing		32	35	31	30	33	34	38	28	32	35	30	42	33
Providing excellent service		32	34	31	29	32	35	28	27	47	24	33	38	32

B1. The options below represent some of SGN's priorities. How important are these areas to you as [a business/organisation / a home energy user / someone who will be paying energy bills in the future]?

B2. SGN currently deliver the following. SGN is developing a five-year business plan. In your opinion, should they invest more, the same or less time and money in <XXXX>?

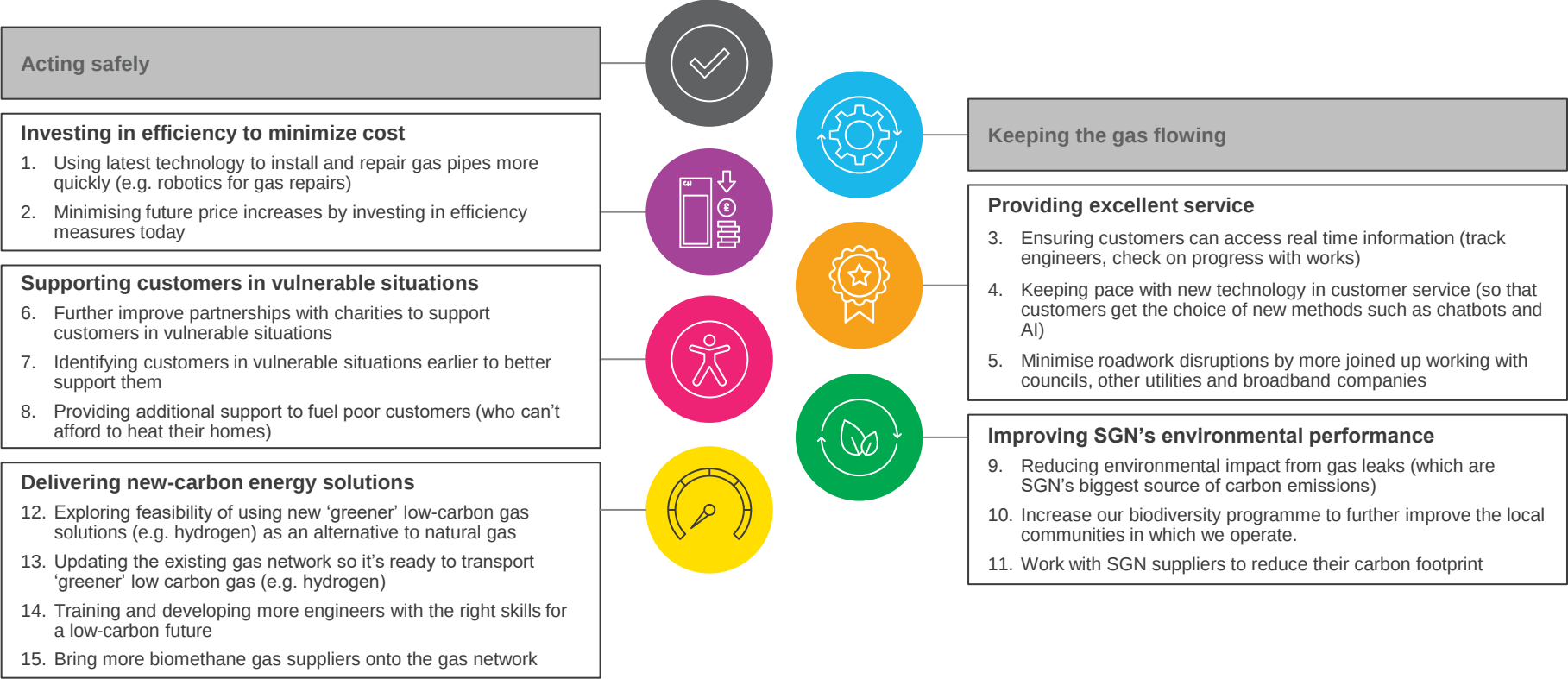
Base:– All SME customers – bases sizes shown above

Subgroup data is significantly higher than other subgroups



Key initiatives over the 5 years from
2026

15 different initiatives were presented to customers for assessment*. Respondents read through each of these before answering any questions



*These initiatives excluded the *acting safely* and *keeping the gas flowing* hygiene factors

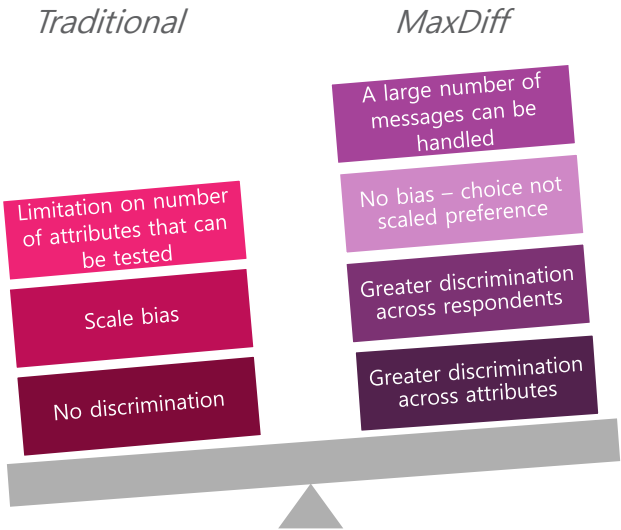
The MaxDiff technique was used to assess customers' priorities between these future possible initiatives

Using the MaxDiff approach (otherwise known as best/worst scaling) improves the quality of data and also what is displayed to the respondent

MaxDiff provides a way of quantifying the **relative importance** of the different initiatives (based on an indirect measure) without incurring unnecessary complexity

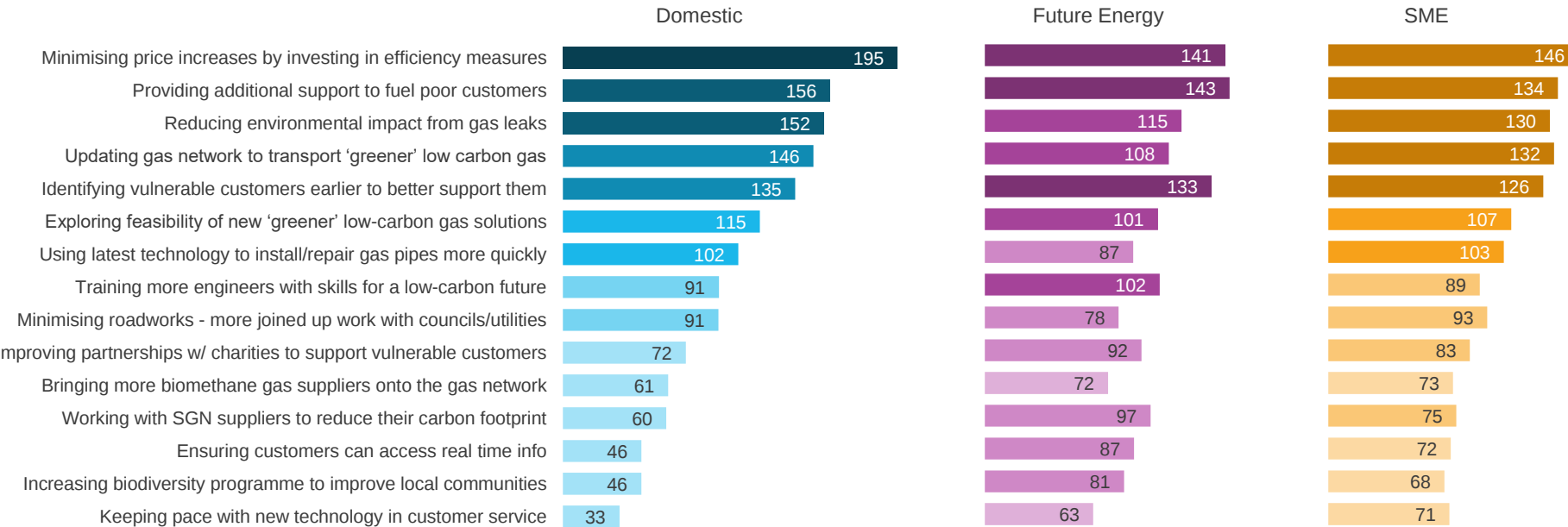
An indirect measure such as this has one main advantage over a basic scale approach: by forcing respondents to trade-off areas, it allows for a **greater sensitivity** of response.

It is also more engaging than a multiple ratings exercise, meaning **more considered** responses.



The top five initiatives are consistent for all audiences. *Minimising future price increases by investing in efficiency measures* and *providing additional support to fuel poor customers* are also the top two initiatives for all audiences

Relative importance of investing time and money in future initiatives – Comparison between customer groups



B3. We're now going to ask you what you think the key initiatives should be for SGN. Over and above ensuring gas supplies are safe and reliable (e.g. by preventing leaks and upgrading gas pipes and equipment), we want to know what areas are important for SGN to invest both their time and money in over the 5 years from 2026, to ensure that customers, like you, get the best possible service. In each case, we'd like you to indicate which is the most important initiative for SGN to invest their time and money in and which is the least important initiative. Base: All Respondents – Domestic / Future Energy / SME customers (n=2001/500/500)

The top five initiatives are also largely consistent across the key Domestic subgroups. *Providing extra support, identifying vulnerable customers earlier and improving partnerships with charities* are more important to those in fuel poverty, on the PSR and/or with a disability

Relative importance of investing time and money in future initiatives – Domestic Customers by subgroup

	TOTAL	Scotland	Southern	In 'Fuel Poverty'	On PSR	Disability/ limiting factor	Ethnic minority	English is 2nd language
	Base 2001	675	1326	993	481	580	134	78
Minimising price increases by investing in efficiency measures	195	195	194	196	180	183	182	179
Providing additional support to fuel poor customers	156	174	147	173	173	172	156	130
Reducing environmental impact from gas leaks	152	147	154	146	142	148	148	158
Updating gas network to transport 'greener' low carbon gas	146	143	147	135	135	138	128	175
Identifying vulnerable customers earlier to better support them	135	146	130	151	155	150	138	104
Exploring feasibility of new 'greener' low-carbon gas solutions	115	107	118	105	103	109	107	145
Using latest technology to install/repair gas pipes more quickly	102	97	105	95	105	97	100	106
Training more engineers with skills for a low-carbon future	91	96	88	84	86	88	87	100
Minimising roadworks - more joined up work with councils/utilities	91	80	96	89	89	84	84	78
Improving partnerships w/ charities to support vulnerable customers	72	78	68	82	83	82	77	56
Bringing more biomethane gas suppliers onto the gas network	61	56	64	57	60	58	65	70
Working with SGN suppliers to reduce their carbon footprint	60	56	62	60	57	62	68	73
Ensuring customers can access real time info	46	48	44	48	47	47	60	38
Increasing biodiversity programme to improve local communities	46	43	47	46	49	48	53	54
Keeping pace with new technology in customer service	33	32	33	34	35	34	46	35



Subgroup data is significantly higher than the Total

B3. We're now going to ask you what you think the key initiatives should be for SGN. Over and above ensuring gas supplies are safe and reliable (e.g. by preventing leaks and upgrading gas pipes and equipment), we want to know what areas are important for SGN to invest both their time and money in over the 5 years from 2026, to ensure that customers, like you, get the best possible service. In each case, we'd like you to indicate which is the most important initiative for SGN to invest their time and money in and which is the least important initiative. Base: All Domestic customers – bases sizes shown above

Again, the top five initiatives are consistent across the SME subgroups.
Minimising future price increases by investing in efficiency measures is more important to micro and small businesses and those working in Retail

Relative importance of investing time and money in future initiatives – SME Customers by subgroup

	TOTAL	Scot land	South ern	1-10	11-50	51-250	Product ion	Retail/ Leisure	Finance /Bus	Public service	Other service	Heavily reliant on gas	Fuel poverty
Base	500	167	333	200	150	150	113	100	72	54	161	190	310
Minimising price increases by investing in efficiency measures	146	144	147	163	149	122	144	171	122	148	143	132	134
Providing additional support to fuel poor customers	134	143	130	137	126	139	136	137	121	137	136	124	133
Updating gas network to transport 'greener' low carbon gas	132	120	138	137	134	123	118	152	125	134	132	124	123
Reducing environmental impact from gas leaks	130	128	130	142	125	118	124	141	111	130	135	125	124
Identifying vulnerable customers earlier to better support them	126	129	124	122	127	130	115	113	116	154	136	115	128
Exploring feasibility of new 'greener' low-carbon gas solutions	107	94	114	109	111	100	125	107	112	109	92	101	98
Using latest technology to install/repair gas pipes more quickly	103	96	106	98	99	112	109	100	104	79	107	111	106
Minimising roadworks - more joined up work with councils/utilities	93	95	92	91	86	102	92	95	94	82	96	90	90
Training more engineers with skills for a low-carbon future	89	92	87	94	85	85	91	75	93	95	91	93	89
Improving partnerships w/ charities to support vulnerable customers	83	89	80	80	80	89	92	81	84	87	75	84	86
Working with SGN suppliers to reduce their carbon footprint	75	68	78	66	84	77	70	72	84	83	73	77	77
Bringing more biomethane gas suppliers onto the gas network	73	74	72	79	69	69	67	75	75	68	77	77	76
Ensuring customers can access real time info	72	79	68	59	78	81	80	60	80	64	72	83	79
Keeping pace with new technology in customer service	71	77	68	60	77	79	65	60	95	64	73	89	83
Increasing biodiversity programme to improve local communities	68	69	67	62	69	74	72	60	83	66	64	74	73

B3. We're now going to ask you what you think the key initiatives should be for SGN. Over and above ensuring gas supplies are safe and reliable (e.g. by preventing leaks and upgrading gas pipes and equipment), we want to know what areas are important for SGN to invest both their time and money in over the 5 years from 2026, to ensure that customers, like you, get the best possible service. In each case, we'd like you to indicate which is the most important initiative for SGN to invest their time and money in and which is the least important initiative. Base: All SME customers – bases sizes shown above

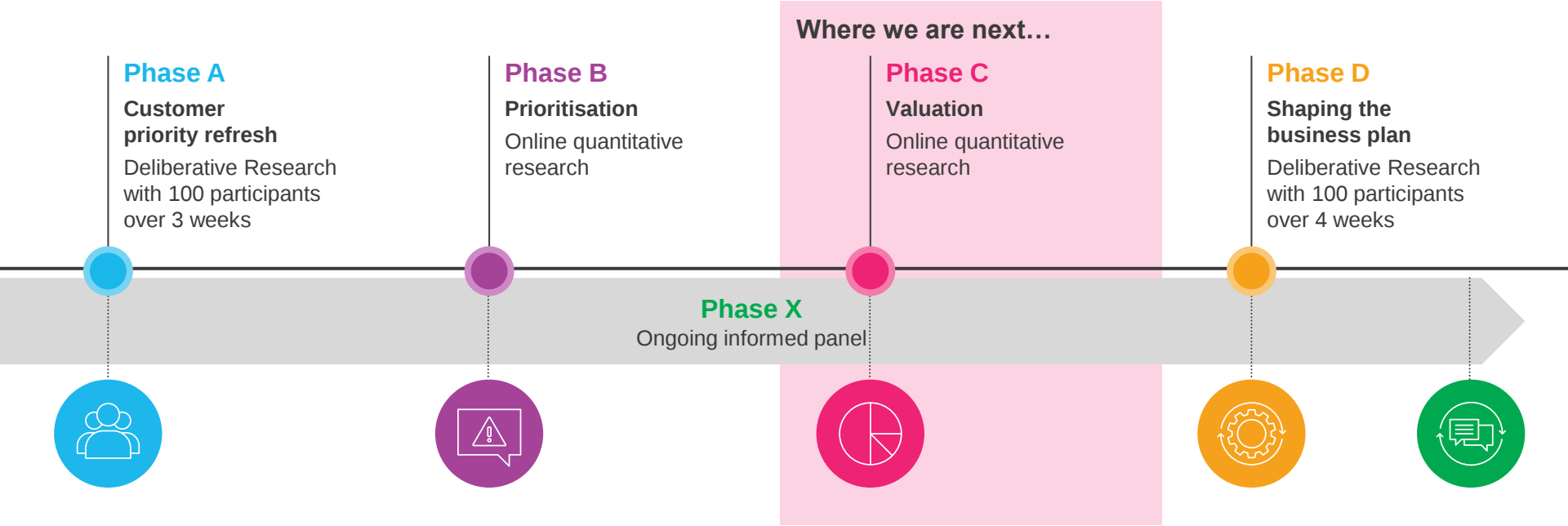
 Subgroup data is significantly higher than other subgroups



Next steps

Summary of approach

- Phase C will be used to understand customers' willingness to pay / accept for incremental changes in service
- We plan to use the same quantitative methodology – and will ask Van Westendorp Price Sensitivity Meter (PSM) and Gabor Granger questions
- Phase C kick off meeting is scheduled for Wednesday 10th January, with results available by the end of March



THANK YOU



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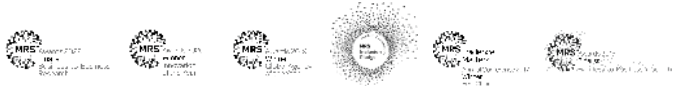
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