

STRAT7



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GD3 Research Programme – Phase X Research Panel Survey Acceptability after price cap

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Background

Background



Objectives

Following the release of Ofgem’s price cap, we wanted to:

- Revisit the discussions around price increases during the Phase D fieldwork period to test any potential changes in acceptability



Method

We invited participants to complete a 5-minute survey comparing their initial responses to the price increase with their feelings after learning about Ofgem’s price cap.

Fieldwork ran from July 9th to July 14th 2024



Sample

77 participants participated:

- **49 Domestic Gas Customers:**
- **17 Future Energy Customers**
- **11 SMEs**

A methodological note on the interpretation of Research Panel results

The Phase X Research Panel was set up in October 2023 with 100 informed customers who had participated in SGN's Phase A Deliberative Research. These customers were informed on SGN's business, its customer base and possible priorities and initiatives for the next GD3 business plan.

Over the last year, new panellists have been recruited to replace any dropouts from the original panel, to maintain the Research Panel sample at ~100 panellists. All new panellists are similarly informed about SGN.

This Research Panel is designed to provide a longitudinal understanding on any new issues arising from the GD3 business plan.

Whilst this panel can provide meaningful guidance for SGN on its GD3 business plan from customers (and future customers) who are informed about SGN, it is not intended to be representative of SGN's entire customer base.

And due to the small sample size (<100), percentages are not shown in this report.





Findings

Summary of findings

1

Overall, the price cap had very little impact on how participants felt about SGN's price increases.

Though there was general positivity toward the price cap itself, it was not considered very relevant to most participant's reasoning for why they had initially voted the way they did.

2

Those who already found the increase acceptable were largely happy with an overall drop in bills.

These participants saw SGN as providing a fundamental service and were generally accepting of paying higher costs to see maintained and improved service.

Further, having participated in the groups themselves allowed many to see how their money was being used, which offered a positive transparency to the overall increases.

3

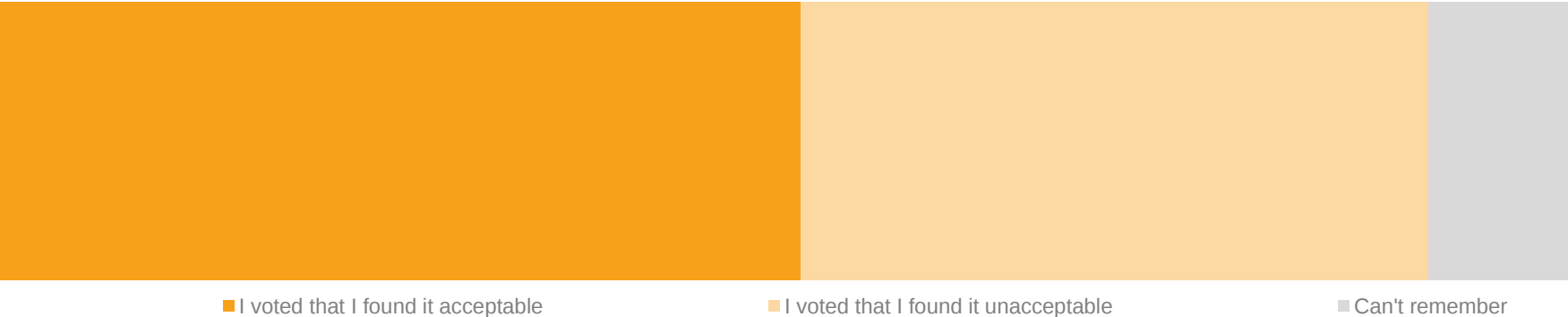
Those who found the increase unacceptable initially also felt largely unchanged, as their overall reasoning for why the increases were unacceptable was minimally impacted by this inflationary change.

Some, for example, believe that SGN should pay for these improvements themselves out of pocket, and that no additional costs should be passed on to consumers. Others feel that they have already been squeezed by price increases, and that they cannot take any more increases, even if the price cap falls.

Around half of participants found the price increases acceptable when first presented them during the research groups

How did you vote on the proposed price increase to SGN’s portion of your gas bill?

% selected



Q1 Thinking back to the final week of our 4 week research groups, how did you vote on the proposed price increase to SGN's portion of your gas bill? Base: Domestic and Future n= 66 SME n=11

Those who found the increase acceptable initially largely still find the increase acceptable

Does Ofgem’s energy cap impact how acceptable you find the proposed price increase to SGN’s portion of your gas bill?

% selected



Q2 Does this impact on how acceptable (in the final week of our 4 week research project) you found the proposed price increase to SGN's portion of your gas bill? Base: Domestic and Future n= 29 SME n= 8

Many who found the rise acceptable feel that SGN provides a key public service and would be happy to pay to ‘do more’ in the three priority areas



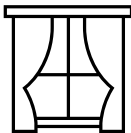
It feels fair for what consumers are getting

Many feel that SGN provides a very important public service that can fairly be funded by a slight increase in bills. Further, some consider the overall increase to be a relatively small hit on their wallets, especially compared with long term benefits.



Price cap falling

Some were already happy to pay the increase and are even more enthused as the price cap is falling.



Transparency is key

Some cite SGN’s transparency throughout the research as a reason (and condition) of their willingness to pay more. As they can see fundamentally where their money is going, they’re happier to pay extra.

However, for some, willingness to pay is very much contingent on this transparency.



It feels a bit too much

Some feel that, with inflation dropping, the increase could feel a bit excessive. Most of these participants are still happy to pay some increase, but feel that, with inflation falling, SGN’s increase should fall as well.

Q3 Please explain the reason for your answer, sharing as much details as you can. Base: Domestic and Future n= 29 SME n= 8

Verbatims



It feels fair for what consumers are getting

*I believe if we want improvements then we need to pay our bit **(Domestic Gas, South London)***

*I just feel that regardless of the electricity or gas price, that the small percentage that goes to SGN to keep the network up to date and in order is completely understandable, because if we didn't have a safe and reliable network to rely on then we might not have constant supply of energy, we would have more accidents and injuries and this just leads to chaos **(Domestic Gas, Northwest and Central Scotland)***

*I feel like this balances it out and has little to no effect on customers as they were already paying higher before but we are paying extra for something that can potentially benefit us in the long term **(SME, Scotland)***

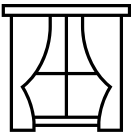


Price cap falling

*With the price going down further it would definitely be acceptable however I do know this is meant to be short lived and in October there will be further increases **(Domestic Gas, Fuel Poverty, Northeast and Highlands)***

*I still find it acceptable and even more now due to the price cap falling. **(Future Gas, Southern Scotland)***

*I feel this is a good saving I feel it's in line with inflation, also I love the price cap as I feel this is essential for family to survive with the cost of living crisis **(SME, Outside London)***



Transparency is key

*I found it an acceptable increase and still do because it was clear to me where the money was going. After week four, I definitely had more of an understanding about the three priorities in SGN business plan, although SGN lacks a bit of transparency, I do find the price increase acceptable and manageable. **(Future Gas, Outside London)***

*Given all the additional things that SGN propose to do during the period of the next 5 year business plan from 2026, in areas such as protecting vulnerable customers and working towards net zero. I consider an increase of £15 a year per household (in Scotland) to be very reasonable. **(Domestic Gas, Northwest and Central Scotland)***



It feels a bit too much

*If we're paying less, then it makes it more affordable to have the extra costs. However, surely the costs should go down slightly in accordance with energy bills coming down? This confuses me, hence then I don't know answer **(Future Gas, Northeast and Highlands)***

*It's a bit excessive with inflation dropping **(SME, Outside London)***

*As long as not the highest percentage, fine. I agreed at 13 I think **(SME, Outside London)***

*I think I would still find an increase to our bills to be relatively acceptable (despite the price cap falling) as hopefully it will mean that SGN can carry out proposed plans etc. However, it would also be good if they could reduce the increase slightly to say 6% based on the above information. **(SME, London)***

Q3 Please explain the reason for your answer, sharing as much details as you can. Base: Domestic and Future n= 29 SME n= 8

Those who previously found the increase unacceptable are largely not swayed by new information

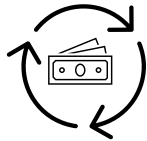
Does Ofgem’s energy cap impact how acceptable you find the proposed price increase to SGN’s portion of your gas bill?

% selected



Q4 Does this impact on how acceptable (in the final week of our 4 week research project) you found the proposed price increase to SGN's portion of your gas bill? Base: Domestic and Future n= 28 SME n= 3

Most who said price rises were unacceptable felt that SGN should fund any improvements themselves, particularly as they benefit from improvements



Profits as better source of funding

Some feel that it is unfair for a profiting company to pass on the cost of improvements to customers, particularly as they are not given any choice (as SGN is a monopoly).

Many cite large profits in the energy industry broadly as evidence of SGN’s ability to pay.



Some are struggling too much as it is

Many have felt financially stretched to begin with and struggle to accept any increase in their bills. SGN’s increase can feel particularly distressing as it would be put on top of energy bills, which many already view as particularly inflated.



SGN should pay for own improvements

Some see SGN’s improvements as largely benefitting SGN over consumers, particularly with cost-cutting or competitive advantages. Therefore, as the primary benefactor, SGN should also be the primary financier – and this cost should not be passed on to customers.

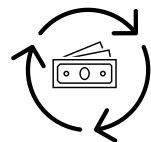


A few believe the increase could be fair

A small minority feel that, with a lower energy cap generally, the price increase can feel more acceptable.

Q5 Please explain the reason for your answer, sharing as much details as you can. Base: Domestic and Future n= 28 SME n= 3

Verbatims



Profits as better source of funding

*I find it unacceptable as it is always the customer that gets hot with the extra cost how about those that are supplying the energy to put the costs on them as they are raking in on billions in profit all the time. **(Domestic, Fuel Poverty, Northwest and Central Scotland)***

*I still feel that, while a private enterprise driven by the profit motive, given you are a monopoly supplier any extra investment should come from profits after tax and before dividends. **(SME Scotland)***

*Any price rise in this current climate isn't acceptable especially when you see the giants making more money every quarter **(Domestic Gas, Fuel Poverty, Northeast and Highlands)***



Some are struggling too much as it is

*Because I am a disabled customer, who is struggling to afford to heat my home as it is. I'm in energy debt and this negatively affects my mental health on a daily basis.. I have nothing left to cut back on.. I'm already at a food bank every week. **(Domestic Gas, London)***

*The 10% increase in one go is too much for any business to accept in one go. The bills going down is to normal level due to an unacceptable unaffordable increase. **(SME, London)***

*Considering all gas and electric bills are still as high as they are, this seems unnecessary **(Domestic Gas, London)***



SGN should pay for own improvements

*I think SGN benefits more than the consumer. SGN should use their own profits to reinvest in themselves, there isn't enough transparency and I don't trust them. **(Future Gas, London)***

*I know it's a small amount but it's setting an example and one I'm not happy with. What is to say that if these prices rise that all other prices rise as well. This stuff should be done with their current budget. E.g. Replacing pipes with plastic ones should be something that they are already doing ergo with their new saving from such being reinvested. We as people should not have. a higher burden of cost to fund their future savings. **(Future Gas, London)***



A few believe the increase could be fair

*I feel that as the energy price cap has fallen by 7% I can manage the increase as I can see that I am saving money on my overall energy bill. This makes it easier to accept the SGN increase as they have a lot to achieve for the future. Which either myself or the next generation will benefit. Environmental changes as well as helix those that are vulnerable. **(Domestic Gas, Fuel Poverty, London)***

*It offsets the increase by the decrease in overall energy bill and as it comes included as payment to my energy company I'm happy with it **(Domestic Gas, London)***

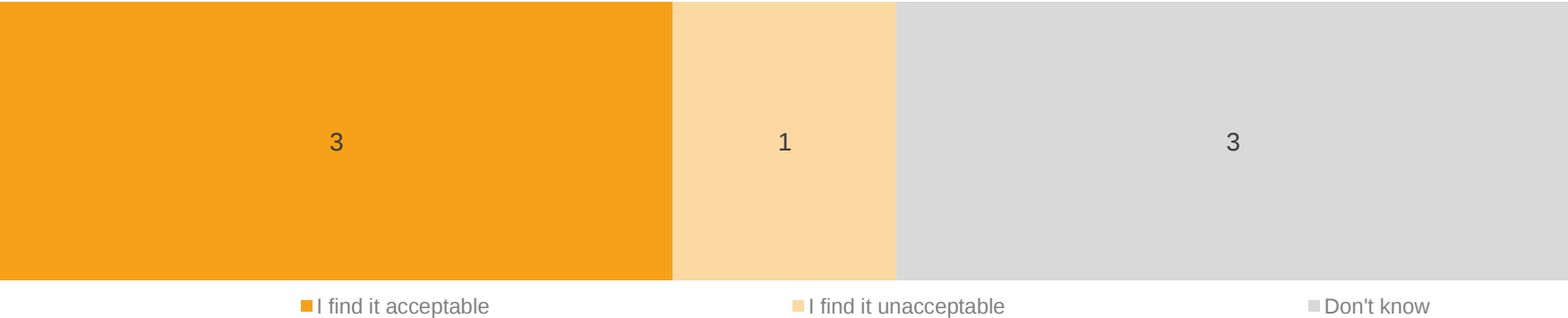
*I accept increase that is in line with market forces/inflation and such, as this means fairness to SGN and customer. **(Domestic Gas, London)***

Q5 Please explain the reason for your answer, sharing as much details as you can. Base: Domestic and Future n= 28 SME n= 3

There was some positivity amongst those who couldn't remember their vote, though equally continued confusion or ambiguity to the question

Does Ofgem's energy cap impact how acceptable you find the proposed price increase to SGN's portion of your gas bill?

Total number presented as low base size



Q6 Does this impact on how acceptable (in the final week of our 4 week research project) you found the proposed price increase to SGN's portion of your gas bill? Base: Domestic and Future n= 7 SME n= 0

Participants who did not remember echoed similar reasons for support and concern



Some feel that the lowering of prices overall is positive, and the increase justified

About half of these participants felt the reasoning for SGN's price increase was justified, given how much benefit they should be practically seeing.



Some feel they haven't been shown good enough arguments to justify an increase

Others feel that prices have been increasing over time and that it is unfair for these costs to continue to be passed on to consumers.



Things are costing more these days and SGN do a great job maintaining our supplies and they need to make money to pay staff and for the cost of new equipment to better improve our heating and gas supplies as well as coming up with solutions and new technology..

Domestic Gas, Fuel Poverty, Southern Scotland



Looking at the information above I would say I find it acceptable. Not brilliant in an ideal situation but price coming down even a little is better than going up.

Domestic Gas, Northeast and Highlands



The price cap is still high after it was initially hiked up so even after the reduction it still isn't back close to what it was. The public are being fleeced!

Domestic Gas, Northeast and Highlands

Q7 Please explain the reason for your answer, sharing as much details as you can. Base: Domestic and Future n= 7 SME n= 0

The Ofgem price cap largely did not impact overall acceptability of price increases

How participants voted during the four-week groups

% selected



How participants voted in aggregate after learning about the Ofgem price cap

% selected



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THANK YOU



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