

STRAT 7



# GD3 Research Programme

## Phase D Deliberative Research Report

July 2024

On behalf of



**SGN**

Your gas. Our network.



This research and report have been undertaken by  
STRAT7 JIGSAW on behalf of SGN.

# Contents

## 1 Background and objectives

---

## 2 Methodology

---

## 3 Key Learnings

---

## 4 Key themes and context

---

## 5 Deep dive on the Business Plan

---

### 5.1 Supporting customers in vulnerable circumstances

---

### 5.2 Decarbonizing the energy system to achieve Net Zero

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### 5.3 Improving SGN's environmental performance

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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 SGN's business plan.



2

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

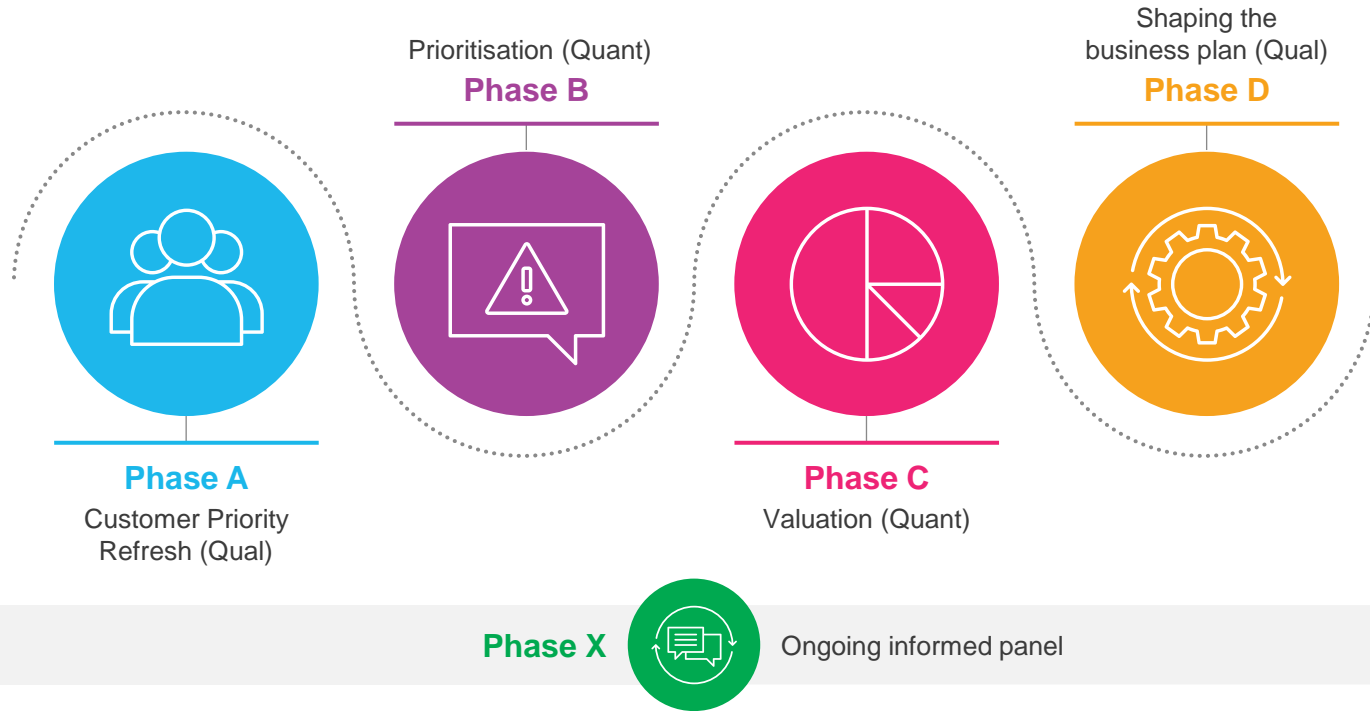


3

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



The overall programme has combined qualitative and quantitative research components – each stage has fed into the next:



This report focuses on the outputs from Phase D – the aim of which was to understand if customers felt SGN's business plan was going in the right direction

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



**Phase D**  
Shaping the  
business plan (Qual)

**Phase D was designed to get a read on customer views toward the initiatives SGN could invest more in and include in their business plan. This included:**

1. Exploring customer views toward the three priorities SGN could do more in: 'Improving SGN's environmental performance', 'Supporting customers in vulnerable circumstances', and 'Decarbonising the future energy system'
2. Assessing the extent to which customers feel SGN's plans in each of the priority areas are going in the right direction and/or are showing the right level of ambition
3. Exploring and understanding customer views toward potential bill increases to fund the three priority areas – including assessing overall acceptability, affordability and value for money

**This involved speaking to three key audience groups:**

1. Domestic Gas Customers
2. SMEs
3. Future Energy Customers

We engaged with over 100 x participants over 4 weeks



## Methodology



# Qualitative research

## A methodological note on the interpretation and limitations of qualitative research

When using qualitative research, it is important to keep in mind that the focus is less about quantification than about understanding underlying issues, experiences and motivations.

Therefore, **this report cannot talk in percentages or numbers of respondents** who answered in a certain way:

Answers should not be seen as necessarily representative of SGN's customer base.

1

But can be seen as strongly indicative of customer views.

2

To give an indication of the strength of a finding from the research conducted we have used terms such as; 'a small number', 'some', 'many' and 'most.'



**This is particularly important to bear in mind for the Slido poll results** where we have input answers into graphs to show the proportion of participants who voted for particular viewpoints. However, we have not included exact numbers or percentages and these graphs cannot be taken as representative of SGN's customer base.



In this phase, we focused on the 3 priority areas where SGN could do more – which were decided on based off participant feedback in the prior research phases



### **Supporting customers in vulnerable circumstances**

SGN offer extra support services to households identified as vulnerable. This can include those with physical and/or mental health conditions, as well as older customers and those in fuel poverty.



### **Decarbonizing the energy system to achieve Net Zero**

As the energy industry works toward the Government-set target of achieving net zero carbon emissions by 2045 in Scotland and 2050 in England, SGN are developing low or zero-carbon alternatives to natural gas, such as hydrogen.



### **Improving SGN's environmental performance**

SGN are reducing their carbon footprint in the short-term (such as reducing gas leaks) as well as installing solar panels, minimising waste, and improving biodiversity at their offices and sites.



## Key learnings

# Key learnings

## 1

### **Uncertainty, cynicism, and a desire for transparency underpinned responses**

- Since Phase A, concerns about cost of living and disillusionment in politics has deepened
- There is a continued desire for big businesses, particularly companies linked to the energy sector and/or regulated industries, to be open and transparent about plans and profit
- These key themes influenced how participants responded to business plan areas

## 2

### **The business plan is going in the right direction, but there are several gaps**

- The three areas SGN could 'do more in' feel like the right focus
- Vulnerable customers feels instinctively right, whereas the two environmental areas require further explanation
- On review of the plans, they feel like they are going in the right direction and are about the right level of ambition
- But many want to see more detail and exact calculations in terms of impact and cost implications to customers – without this it can be hard to take a view

## 3

### **The plan feels acceptable and affordable overall, but it is hard to judge VFM**

- Based on what was seen, most agree the plan feels acceptable and if delivered at an increase that would be affordable
- There is some resistance to asking for customers to pay for initiatives focused on decarbonising SGN's fleet, sites and assets as this feels like something all businesses should do
- Value for money is difficult to judge without seeing exact figures and knowing what impact of the chosen initiatives will be

Taking forward our learnings to test on the online panel: Phase X



## Key themes and context

# Since Phase A, cost-of-living concerns have become more widespread and there is increased scepticism about big businesses

## Phase A:

### Cost of living

- High food and energy bills
- More people struggling with their finances
- Expenses more front-of-mind

### Energy supply and price

Reliable gas supply but challenges:

- War and global markets mean increased competition for energy and high prices
- Using up limited natural sources of energy
- UK not storing enough gas reserves

### Cynicism

Low trust in big corporations:

- Energy companies making large profits

Low trust in Government/public bodies:

- Government/energy regulation insufficient
- Poor infrastructure investment/over-promising
- Government changing policies/targets in relation to energy

## Now

Cost-of-living concerns permeating the middle classes. Increased proportion of people seeing themselves as 'financially vulnerable' – 'everyone is squeezed these days'.

Even if inflation rates are coming down, prices remain high and there is increasingly little hope costs will come down anytime soon.

Continued global conflicts mean uncertainty about future prices and security and a desire to create home-grown energy.

Increased scepticism about environmental initiatives more broadly – how feasible is it to achieve Net Zero? Are the big businesses and polluters doing what they need to do to make that happen? Are electric vehicles good for the planet/do new initiatives have their own unintended consequences?

Coverage of Thames Water and energy provider profit reports heightens cynicism about big business motivations – brings to the fore 'public' monopolies making large profits and increases sense customers should not foot the bills.

Political uncertainty and disillusionment is at its highest in years (backdrop of 'shock' general election) – increased uncertainty about future policy and goalposts moving.

It is important to note that fieldwork was conducted in June 2024, in tandem with the General Election campaigns. There was a heightened sense of distrust in UK politics and future approach/direction of Government.

# There are three key themes to bear in mind which carry through customer views toward all areas of SGN's business plan

## Uncertainty

- About future political landscape and policy (esp. Net Zero timelines/targets)
- About who the next govt will be – fieldwork taking place during election campaign
- About personal financial stability – future price increases and general economic landscape in the UK
- About how 'green' sustainable solutions really are, and what their longer-term impacts might be (e.g. costs, infrastructural changes)

Which drives

## Cynicism

- About government targets – will 2045 net zero targets be kept or achieved?
- About motivations of big businesses – belief they will always protect their profit margins
- About profits of energy companies - anger
- About ESG – concerns about 'green washing' and expectations businesses will try to 'cut corners'
- About privatisation of public services – questioning how 'fair' the system is, and whether the customer interest is always taken into account

Which drives

## Desire for transparency

- About company goals and profit margins – esp. if a monopoly delivering a perceived 'public service' (e.g. rail, water, energy)
- About where their money is going
- About government policy and feasibility of goals – desire for third party checks
- About potential cost and environmental impact of 'green tech'/'green innovations' being promoted to the public – is it fair for customers to pay for the transition?



There's not enough real info available to the public about the cost of it [Net Zero], and what it actually means day to day.

**Informed, Domestic Gas Customer, Scotland**



Every company says they care about the environment... just do something and then you can tell us about it in an advert after if you want.

**Mix, Domestic Gas Customer, Fuel Poverty, Southern**



How can I verify they are using my extra £5 or £10 for those specific areas? It just feels like everything is going up and up. Everyone is feeling it.

**New, Future Energy Customers, Southern**





## Deep dive on the Business Plan

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In Weeks 2 and 3, participants explored the detailed initiatives under each business plan area, including:

<b>Supporting customers in vulnerable circumstances</b>	Providing great service for those on the PSR
	Helping 650k customers use energy safely, efficiently and affordably
	Supporting households in a holistic way
	Develop/grow Safe and Warm partnership
	Champion a fair and affordable clean energy transition

<b>Improving SGN's environmental performance</b>	Rolling out leak detection vehicles
	Developing an online platform
	Using AI/machine learning to predict and adjust gas pressures
	Converting more of SGN fleet to EVs
	Decarbonising SGN sites
	Making SGN assets more climate resilient

<b>The future of energy – decarbonising the energy system</b>	Whole system approach
	Making more use of biomethane
	Hydrogen blending (up to 20%)
	Hydrogen (unblended)

In this section we will deep dive into the overall participant responses, as well as some of the key principles and initiatives shaping each business plan area. Detailed feedback on each initiative can be found in the appendix

# Supporting customers in vulnerable circumstances is emotive, but challenging to engage with

- **An emotive initiative** – esp. as participants perceive that more people are becoming ‘vulnerable’ in the current environment.
- Also, **personal experiences of becoming more financially vulnerable** in the sample having previously felt more comfortable.
- **High levels of support in principle and belief that ‘any help is good help’** – instinctively and spontaneously feels like something SGN ‘should’ invest more in.
- **Positivity about the broad range of action** SGN already takes in this area (e.g. advice, financial etc.)
- However, **potential ‘social desirability’ bias occurring** – in groups where participants more openly challenged SGN’s role in this area, others could then follow.
- **Some question if it was beyond SGN’s remit** – and, as no one had heard of their initiatives, how widespread/impactful their current initiatives are.
- **If thought about too much, can lose credibility** – is it contradictory to raise prices to support vulnerable customers? Does asking customers to pay more for this undermine its virtue?



I like the idea of the Safe and Warm Partnership... helping people in their homes... sometimes pensioners need that. To have someone come to your house for a wee chit-chat... it's important.

**Informed, Domestic Gas Customers, Scotland**



I don't see it as SGN's role to visit people to help them access other support services.

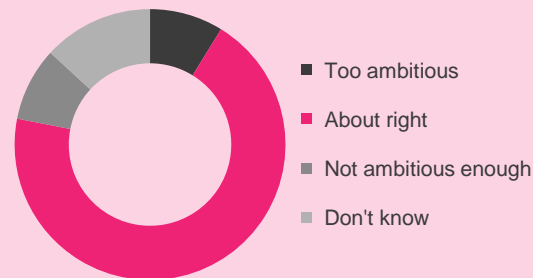
**New, Domestic Gas Customers, Scotland**



Supporting customers in vulnerable circumstances



How do you feel about the **level of ambition** in SGN's plans for **supporting customers in vulnerable circumstances**?



## Note

This is qualitative research so while we have visualised proportions of how participants responded, we have not included any numbers or percentages. The results should not be taken as representative of SGN's customer base.

# Participants appreciate it is a huge challenge to find a natural gas alternative – so some want to see immediate action

- It feels important for SGN to be shown to be doing something in this area.
- Some appreciate it will take time to do properly.
- Whilst others want to see urgent action – even if it does not produce the final solution/result
- **Future Energy Customers in particular feel SGN's plans are 'not ambitious enough'** and that SGN (and others in industry and government) must move quickly to find a solution.
- 'New' participants found it harder to spontaneously understand what role SGN could play in this area given they are so core to natural gas supply.
- **Some question if SGN are best placed to 'lead' this** – do they have a vested interest in keeping their business profitable? Are they choosing not to explore 'better' alternatives in case it puts them out of business? Will SGN be fully committed to finding the 'most sustainable' solution if it means decommissioning?
- Some remained sceptical about this throughout the research.



We need to focus on net zero, that's the key thing for the planet.

**Informed, Southern, Future Energy Customers**

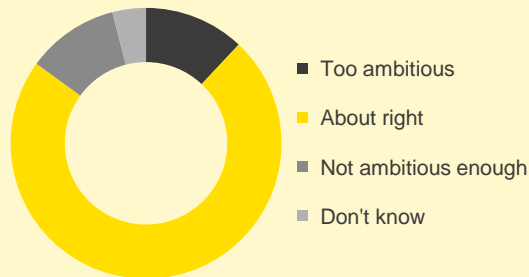


It's good to see that they are looking at a mix of solution. This means they can act now and look into the future too

**Informed, Scotland, Future Energy Customers**



How do you feel about the **level of ambition** in SGN's plans for decarbonising the energy system to achieve Net Zero?



## Note

This is qualitative research so while we have visualised proportions of how participants responded, we have not included any numbers or percentages. The results should not be taken as representative of SGN's customer base.

# While leak detection was seen as paramount, this business plan area was the most provocative

- **Generally positive about SGN investing in leak detection and prevention** – feels like the most important issue to tackle
- **Leak detection/prevention feels vital** – and for ‘informed’ participants, it could mean improved service and safety
- Though **some question if more could be done to improve efficiencies before pursuing new investments** – e.g. putting sensors in when replacing pipes instead of using leak detection vehicles or replacing plastic pipes faster
- In contrast, **initiatives focused on decarbonising the business** (e.g. EVs, solar panels etc.) were **considered less important**
- **Triggered concerns about greenwashing and felt ‘tokenistic’** compared to other business plan areas
- **Participants also questioned whether they should be asked to pay more for these decarbonising initiatives** – perceived to have an internal focus, and overall, not something that would improve the end-service for users
- **SMEs esp. felt the plan is ‘too ambitious’** – they believe SGN has included initiatives that feel more like ‘good business practice’ rather than a business plan



I think it's frighteningly high to be honest (gas leaks)...  
I'm flabbergasted to be honest.

**Informed, Southern, Domestic Gas Customers**

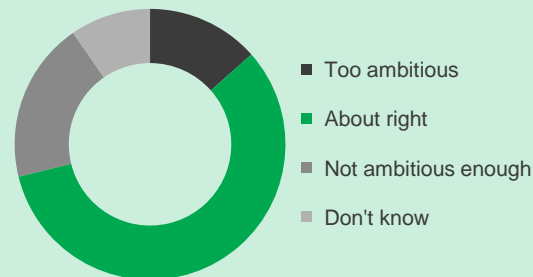


It depends how effective the leak detection is and how much money they can save by stopping or reducing them. If they save millions, then it is worth investing 100%

**New, Scotland, Domestic Gas Customers**



How do you feel about the **level of ambition** in SGN's plans for **improving SGN's environmental performance**?



## Note

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# Subgroup differences – the three priority areas

## Fuel Poverty Customers

Tended to be the **most cynical about big business**, especially energy companies.

Also, among those who are **more questioning of the benefits of any initiatives which involved new/unproven developments or tech** e.g. use of:

- Unblended hydrogen
- AI
- EVs
- Leak detection vehicles

They are however among **the most supportive groups for SGN's vulnerable initiatives**.

And were **generally keen to ensure no one got left behind** in the energy transition.



## Domestic Gas Customers

This group was among the most **accepting of all initiatives**.

They were **less cynical as a group** and generally at least somewhat supportive of SGN's approach.

**Efforts to reach Net Zero tended to generate a more positive response** from this group.

**They were also keen to maximise the use of new technology** where possible (e.g. AI and an online platform).

**When it comes to supporting vulnerable customers, they tended to be somewhat supportive** – but could question whether it was SGN's job to do this and whether customers should be paying.



## Future Gas Customers

Concerns that the **Energy Transition is not moving fast enough**.

Some **concern that SGN should be doing more to move towards Net Zero**.

Among **the most resistant to paying more for SGN to decarbonise** its own operations.

Although **among the most supportive of new technology** (e.g. AI, online platforms, leak detection vehicles) – belief in tech offering the answers and sense that this is the direction all companies should be moving in.



## SMEs

Generally **supportive of SGN providing help to vulnerable customers** although could question whether SGN should be paying for this, not customers.

They were the **most questioning group** when it came to whether **SGN should charge customers for improving their own environmental performance**:

- More likely to say this element of the plan is too ambitious
- Seen to be part of good ESG principles which all businesses are being required to sign up to
- They don't necessarily pass on costs to customers for these things



These subgroup differences represent general tendencies – with considerable variation within any one subgroup.

# THANK YOU

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# JIGSAW



# SGN

Your gas. Our network.



MRS Awards 2022  
Finalist  
Business-to-Business  
Research



MRS Awards 2020  
Winner  
Innovation  
of the Year



MRS Awards 2019  
Winner  
Quality Agency  
of the Year



MRS Evidence  
Masters  
Award Ceremony 2017  
Winner  
Business-to-Business  
Research



MRS Awards 2017  
Finalist  
Business-to-Business  
Research



MRS Evidence  
Masters  
Award Ceremony 2017  
Winner  
Business-to-Business  
Research



MRS Evidence  
Masters  
Award Ceremony 2017  
Winner  
Business-to-Business  
Research



WINNER  
BIG  
conference  
2012  
Best Overall Paper



MRS Awards 2013  
Finalist  
Best Application of Data



MRS Awards 2015  
Finalist  
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Research

ESOMAR  
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Best Presentation



2009 - Finalist  
Finger Whig Health  
Effectiveness Award



WINNER  
RESEARCH  
AWARDS 09  
New Consumer Insights



FINALIST  
RESEARCH  
AWARDS 09  
New Consumer Insights



WINNER  
RESEARCH  
AWARDS 10  
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FINALIST  
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