



# Competition Commission Domestic Bulk LPG

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## Presentation of Findings

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# Agenda

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- **Key findings**
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  - Switching -LPG supplier
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- **Summary and Conclusions**



# Objectives

- To examine the market for the supply of domestic bulk LPG in the UK, specifically:
- Why LPG is chosen as a fuel
- Reliability of the supply of LPG
- Quality of the service
- Safety concerns of LPG
- Reasons for not switching to alternative LPG suppliers
- Reasons for not switching to alternative energy sources

# Methodology

- **A total of 42 respondents**
- **Face to face depth interviewing conducted between 22<sup>nd</sup> November and 10<sup>th</sup> December (37 respondents); telephone interviews conducted where face to face interviews were not possible**
- **National Spread of respondents**
  - Scotland (AB region)
  - North (NE & DN region)
  - Midlands / South East (CV & RG region)
  - Wales (SA region)
  - Northern Ireland (BT region)
  - South West (EX region)
- **A mixture of depth interviews, paired depths and mini groups (consisting of 3 or 4 people) were used**
- **Sample provided by the Competition Commission from suppliers records**
- **Most interviews conducted by Maxine Hill, Rachael Elsey and Andrea Kennard from Consumer & Retail at ORC**
- **Northern Ireland interviews conducted by MC Field, ORC approved supplier**
- **Please note: This research is qualitative research and therefore is not statistically representative, but is used to reflect the general issues that are occurring in this market**



# Sample Background

- **LPG suppliers used by respondents**
  - Around one in two are supplied by Calor Gas
  - Around one in five are supplied by BP
  - A small number are supplied by Flogas
  - One instance of J Gas being supplied
- **Majority home owners with one LPG tank each**
- **3 or 4 bedroom properties**
- **Most aged 40+**
- **Mixture of males and females**

Base: 42 respondents interviewed

# Key Findings

- **LPG usually inherited with property**
- **Apart from price, customers content with quality of service they receive from their supplier, although some were dissatisfied**
- **Almost all are very aware of the recent price increases this year. Although may not know exactly how much they pay per litre, most have a rough estimate of the yearly cost of LPG**
- **Despite feeling prices are too high, most do not see any alternative option and believe LPG prices are set**
- **Few have actually switched supplier and only a small number have made pricing enquiries**
- **General lack of knowledge of other suppliers and prices**
- **Price is the key driver to switch**
- **The main barriers to switching LPG supplier or to an alternative source are the cost implications, lack of knowledge of process and inconvenience for little reward in cost savings**



# LPG Usage

- Most spoken to use LPG for heating and hot water (with radiators and sometimes a gas fire)
  - Respondents have an electricity supply as well and this is often used for cooking
  - A number have a secondary source of heating for the property usually consisting of a coal fire (North and Scotland trend)

# LPG Tank Details

- **Mainly over ground tanks**
- **Most have at least a rough idea of tank capacity**
  - Size of tanks range between 850 – 1900 litres. Av. size 1000-1200 litres
- **Tanks aged between 2.5 and 17 years old**
  - Av. about 10 years old
- **Some able to provide an approximate yearly cost**
  - Ranging between £700 - £1500 per annum

# Why LPG Chosen

## Respondents inherited LPG with property and continued with supplier already connected

- Considered best option at the time to continue use as:
  - Used LPG in previous properties and been satisfied
  - Prices competitive at time
  - Upheaval of changing fuel and boiler etc
- Assumption for some that there is no possibility to change as tank belonged to supplier (Awareness that tank fittings are supplier specific and therefore whole tank system would need to be changed)
- Something to consider at a later date once moved into property and settled in
- Part of an estate / park and therefore no choice

# Why LPG Chosen

## ■ For some it was an active choice over alternative fuels

- Once already moved into property (previously no central heating in property)
- Rejection of other fuels i.e. oil or electricity based on previous experience / knowledge
- When house built
- **LPG supplier chosen on basis of:**
  - Previous use and / or experience of LPG and alternative fuels
  - Awareness / lack of awareness of alternative suppliers

*"I've had gas in my previous houses and I preferred it ...and felt gas would be better because I had always gone with that"*

*"We used to have a house abroad that was Calor gas and we liked it and I think that really swayed us"*

*"We demolished the existing house and built a new one so we actually made use of the existing gas tank to feed to the new house"*

# Supply & Delivery – System Used

## ■ Most respondents use the automatic top up system

- Frequency of top up varies (between 3 – 6 times a year)
- Customers say top up is conducted:
  - Based on supplier knowledge of previous consumption (most commonly thought)
  - Or when in area
  - Or they have regular routine visits

*“I’m called upon regularly, say every three months, and I never need to phone. The chap just comes and tops up the tank and that’s it”*

## ■ Some prefer to call the supplier when supply is low before receiving a delivery

*“I keep a note of the gauge. When the gauge usually gets to about a quarter I phone them and ask for a delivery”*

- Some tanks fitted with satellite sensor – however few seem to have been activated



# Supply & Delivery - Automatic Top Up System

## ■ Process

- Customer not usually home
- Delivery docket left giving info on amount of gas put into tank
- Customer may be called in advance for access to tank to be arranged
- Deliveries can be made in interim if necessary by customer calling supplier

## ■ Customer Feedback

- Almost all very trusting that top up has been made and do not regularly check tank gauge after delivery
- Most respondents happy with this system as does not inconvenience them and they do not run out of gas

*“I don’t check the tank after a delivery – I trust them, they just top up and my tank never gets empty”*

*“They leave a little slip through the door to say that they have been and how many litres they have put in”*

# Supply & Delivery - Non-delivery

- Few have ever run out of gas
  - It tends to be those who phone up for delivery who may run out
  - Never a regular occurrence
  - Customers who ring up do not tend to hold supplier responsible
  - Tends to occur for new properties or when demand is variable
  - Supplier response is quick, a maximum of two days before delivery and in most cases less than this

*“They never miss a delivery and I’ve never run out in 13 years”*

One case where extra charge for this: *“Ran out on Christmas day, as house was new and the consumption was still unknown we called up but there was an additional £40 for a delivery on that day”*

# Maintenance

## ■ Process:

- Frequency of checks varies; every delivery to once every 5-10 years
- Checks carried out when customer not there and without prior warning
- Docket left providing details of check
- No extra charges made for check or replacement parts (assumed inclusion in standing charge)

## ■ Levels of awareness vary:

- Overall concern for maintenance is not high – assumed all is OK
- Some not even aware if they have had any checks
- Others unsure what maintenance consists of or what getting for money paid
- Some believe checks are conducted when the LP gas is delivered
- Some aware of routine replacement of perishable parts and cleaning of tanks

*“They just clean it, they just hose it down which we can do anyway then they just clean the gauges and check them, that is all”*

*“As far as I know they come and check the tank on a regular basis, that’s part of the contract”*

*“I don’t believe they do any maintenance, every time you get a delivery of gas on the slip there is a little box that they tick to say they have carried out a safety check. I can do that by walking past the tank and seeing if there is any smell of gas, I don’t need to pay pennies a day for that”*

# Tank Details – Tank Ownership

## ■ Most would not want to own the tank due to responsibilities of:

- Insurance
- Maintenance
- Emergencies and leaks
- Costs of tank purchase

*“You would have to work out if it was going to cost us more to insure the tank or to rent it, then we would have to equate that against how much we are going to save by going to other firms”*

## ■ Some would like to own tank

- For supplier choice
- Price of gas

*“It would be handy if the tank belonged to the house and you could buy your gas from whichever supplier you liked”*

*“Even if the tank were owned by a separate company it would be an advantage”*

# Quality of Service

## ■ Quality of service judged by two elements:

### ■ Delivery and maintenance service

- Reliability of gas supply
- Speed of response for delivery or emergency
- Few problems with the tanks

### ■ Head Office dealings

- Pricing
- Billing

*“Yes, absolutely no trouble at all we don’t even know he has been there most times, he just leaves a slip through the letterbox and what do you know there is another tank full of gas”*

*“They have phoned me up a couple of times and say how do you feel that your use of gas is going do you feel that you need more deliveries or top ups...which I think is another enhancement to their service”*

*“I think it is a good service and when you phone them up they’re efficient and polite”  
“Don’t press on payment even if account is a month or so over, don’t charge extra if don’t pay within a certain number of days”*

# Contractual Information

- Specific knowledge about contracts and details is limited
- Confusion about what the contract is
- Some not even aware if they have a contract
- Contracts not updated
- Consumers not always aware of their obligations or stance for termination or switching suppliers
- Assumed notice period for termination ranges from 0 - 3 months
- Some call for more information to be provided about termination and switching suppliers

*“The contract says that we will pay for the rental of the tank, they will insure it and they will maintain and upkeep it”*

*“We signed a contract to say that we were taking their tank and having their gas but it is not binding that we can’t just discontinue it”*

*“I don’t think I read the terms and conditions at all but I’m fairly sure that there’s never been a problem with them”*

*“I suppose it would have been good to know about the exact nature of this contract on the tank and what would happen if we did switch suppliers”*

# Emergency Call Outs & Leaks

- **Very few emergency call outs**

- Used when smelt gas
- Smelled gas after a refill
- Accidental damage to pipes

- **Quick response from suppliers to emergency calls**

- **No extra charges made for call outs**

*“Smelled gas after a re-fill and phoned supplier who came back and emptied tanks and the response was same day”*

*“Was told to turn off gas and that someone would be out shortly. When man came out it was fixed there and then, there was no extra charge for this”*

*“Called normal number not emergency line – builder cut through cable – told to turn off gas, maintenance person came out later than day found leak, isolated and dealt with it, I have had no problems since”*

- **Overall very few safety concerns, responsibility of tanks accepted as responsibility of the supplier**

# Prices & Charges – Cost of LPG

- **Awareness of price per litre varies**
  - Price per litre currently varies from 19 – 33 pence per litre
  - Latest price increase for most around 2.5 to 3 pence per litre and in some cases 4 pence per litre
  
- **Most on a fixed price plan (same amount each month)**
  - Varying amounts charged based on usage; £25 to £115 a month
  
- **Others pay after each top up**
  - Bill sent within a week of top up
  
- **Price increases are common**
  - Up to three times within last year alone
  - Letter of notification sent to consumer each time
  - Reasons given for increases / change (i.e. Iraq, rising wholesale energy costs, crude oil price rises)
  
- **Price decreases rare and if so are short lived**
  - Never back to same levels as before last increase

# Prices & Charges – Standing Charges

- Standing charges not always known about or fully understood
  - Standing charge varies between £4 – £15.88 per quarter
  - Worked out as a daily rate
  - Can change seasonally
  - Is included in those that pay a fixed monthly amount
  - Mainly charge is accepted by customers
  - Confusion about what is included in charge i.e. rental, maintenance or both

*“We are billed per litre plus a maintenance charge which is worked out per day”*

*“I have a standing charge, don’t ask me for what”*

*“If you don’t have the tank filled up for say more than two months the rental charge is quite large, whereas in the winter when its topped up every 4/5 weeks the charge is much less ... it works and I just accept it”*

*“I don’t think you should have to pay a rental charge. Because you are using their product all the time, you’re at their mercy as to what price you’re paying per litre”*

# Prices & Charges – Attitudes & Perceptions

## Main View Point

### Acceptance

- Set prices - by oil companies or in some cases government (taxes)
- No alternative option
- Most have not contacted supplier to discuss price

*“It all comes from one source and I should think they are paying the same price”*

*“I just get the impression that the price isn’t going to be wildly different”*

## Minority View Point

### Active

- Price negotiation with current supplier
    - Some able to negotiate to some degree - *“Usually you can phone up and negotiate a bit”*
    - Others told no leeway
  - Look to alternative LPG suppliers
    - For price comparison
    - Sometimes price cuts offered for limited period i.e. 6 months
- “I don’t think they maybe quite matched it (the price) but they dropped it by a significant amount”*
- Looking for alternative fuels / cut down on LPG usage

# Switching LPG Supplier – Reasons for Switching

Very few had switched

- Drivers to Switching
  - Price the key driver to switch supplier or consider switching
  - Delivery of gas / quality of service also an issue

*“The price went through the roof, then there was a price war on and we got it for about 19.5 pence per litre so that is why we changed”*

*“There were a number of price increases which didn’t seem to be reflected in the base price of gas and oil and ...we were always getting very low to the bottom of the tank before it was refilled”*

# Switching LPG Supplier – Other LPG Supplier Contact

- Lack of awareness of other potential suppliers
- Respondents unaware of other prices or offers from other suppliers
- Those spoken to had not been approached by other suppliers or delivery drivers
- Responsibility falls to customer to find out alternative suppliers and prices

*“We had to do the canvassing basically, looking for who’s got the best prices against the best deal and who will hold their prices for the longest time”*

*“To be quite honest it had never crossed my mind that there was an alternative. I assumed that the previous owners,...would have investigated and found the best supplier and it never occurred to me to actually look further because I didn’t know there were any other suppliers in the area”*

# Switching LPG Supplier – Barriers to Switching

- Consider prices and charges set and / or similar between suppliers
- Potential cost implications
  - Tank removal and gas removal
  - New tank installation
  - Higher standing charges
- Uncertain about process
- Unsure of both long and short term benefits
- Inconvenience and lack of time

Costs assumed range  
from £30 - £2500

*“You can’t actually change companies because when we put the gas in we had to pay for the tank as well as the standing charge,...in order to change supplier I would need to get them to empty that tank and then get another company to fill it up. It’s incredibly complicated so in actual fact you are tied to the one company”*

*“It’s one of those things you never seem to quite get round to”*

*“I was under the impression we didn’t have any options on that because they own the tank, its not our tank and will never be our tank, it always remains the property of the supplier”*

*“We would like to switch definitely. In actual fact I didn’t know there were other companies that did LPG”*

# Switching to Alternative Energy Sources - Reasons

**Often felt no other options / realistic alternatives**

- **Mains gas invariably the preferred option**
  - Not always a possibility
  - Costs of implementation too great
- **Oil often not considered a better alternative**
  - Previous experience
  - Costs implications
  - Upheaval
- **Electricity a possibility for some**
  - Expense off putting

# Switching to Alternative Energy Sources - Quotes

## Customer Comments

- *“They need a certain number of people to agree to go on mains gas and it’s £1000 per household”*
- *“The boiler is only compatible with liquid gas because all the settings and all the burning points that it has are wrong for natural gas”*
- *“If it wasn’t going to be considerably cheaper then I don’t think I’d bother. The hassle is just too great and there’s enough hassles in life without having to do that”*
- *“We could get the boiler changed to oil but again you’re talking maybe £1-2000 and then another £1000 for the oil tank, that’s an awful lot of money involved in trying to change”*

# Summary & Conclusions

- **General apathy. Most are accepting and have not actively considered switching**
- **However, there is a small group of people who are very angered by the situation they find themselves in and the inability to easily change supplier or energy source without great costs and upheaval**
- **Lack of awareness, understanding and knowledge amongst consumers in particular with regard to:**
  - Prices and price settings
  - Contractual obligations
  - Other suppliers and alternatives

# Summary & Conclusions

- **Some call for more accessible information for consumers concerning; termination of contracts, switching supplier and pricing of LPG**
- **Few would want to own their own tank due to the responsibility and potential costs involved; an independent third party ownership may be a possibility**
- **Overall satisfaction with the service provided by LPG suppliers in terms of quality of the product, delivery, maintenance and notification of price changes**
- **Satisfaction with Head Office communication varies between suppliers**