

# **Citizens Advice Response to Proposals regarding setting standards for smart appliances**

**June 2018**



## About Citizens Advice

The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination.

On 1 April 2014, the Citizens Advice service took on the powers of Consumer Futures to become the statutory representative for energy consumers across Great Britain. The service aims:

- to provide the advice people need for the problems they face
- to improve the policies and practices that affect people's lives.

The Citizens Advice service is a network of nearly 300 independent advice centres that provide free, impartial advice from more than 2,900 locations in England and Wales, including GPs' surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particular dispersed groups.

In 2017, Citizens Advice Service helped fix 163,000 energy problems through our local network and 61,000 through our Consumer Service Helpline. Our Extra Help Unit specialist case handling unit resolved 8,367 cases on behalf of consumers in vulnerable circumstances, and their Ask the Adviser telephone service handled 2,593 calls from other advice providers in need of specialist energy advice.

Since April 2012 we have also operated the Citizens Advice Consumer Service, formerly run as Consumer Direct by the Office for Fair Trading (OFT). This telephone helpline covers Great Britain and provides free, confidential and impartial advice on all consumer issues.

# Response

---

Question 1: Do you agree that the Government should take powers to allow for regulation on standards for smart appliances?

Yes, Citizens Advice agrees that the Government should take powers to regulate standards for smart appliances. Doing so would ensure that appropriate consumer protections, such as security, privacy and interoperability, are built into products. If protections are not duly considered, trust in smart appliances could be eroded and consumers may be less willing to engage. Where things do go wrong, the government should also ensure that consumers have strong support and redress options.

The consultation suggests setting standards for smart appliances could resolve market failures that are preventing the proliferation of smart appliances. For some consumers, the immediate impact of these market failures could be limited choice at potentially higher rates. We would support measures taken to address this issue to ensure consumers can benefit from new technologies as quickly as reasonably possible.

In principle, we are supportive of the Government's current position to transition from voluntary to mandatory standards by the 2020s, with a review for all relevant appliances to be smart thereafter. This is under the basis that the transition to mandatory standards is timed well and that any forthcoming review reflects the current market circumstances. We would hope that any mandatory standards introduced would not be too late, if consumer detriment had been identified under voluntary standards.

Where necessary, it will be important that government's approach facilitates the development of standards collaboratively with European and international forums.

Question 2: Do you agree that a label is a good way to engage consumers with smart appliances? Please include your views and experiences with key aspects of labels which are most effective at engaging consumers, including analysis on uptake of the relevant device.

Yes, if done well, labelling can be an effective way to engage consumers, especially where informed decisions are required. However, managing the experience of online labelling is important. Research published in 2013 highlighted the online implementation of energy efficiency labelling was inconsistent. The then National Measurement Office that fewer than half the products online had an accurate label<sup>1</sup>. Given the trends of how consumers choose to shop<sup>2</sup>, any labels for smart appliances must be suitable for multiple mediums and enforced as necessary.

Energy efficiency labelling appeared to be most effective where information related directly to consumer outcomes, such as average running costs. We would advocate for a similar approach to be taken when relating any important information about smart appliances. For example, how long the consumer would receive automatic software updates (for security purposes).

Citizens Advice also recommends that the profile of the label would need to be raised to maximise consumer recognition. One in four consumers in our research, who were not influenced by the energy efficiency label, were not influenced for this reason<sup>3</sup>. We would encourage research to be undertaken for whatever label is created to understand if this will lead to behavioural change.

Finally, any developments will need to closely align with EU labelling. The government should consider how to participate in those discussions to ensure our views are represented, going forwards.

**Question 3: The consultation stage Impact Assessment published alongside this consultation document explores the costs and benefits of the options considered for this policy. It indicates that mandating standards for smart appliances provides the greatest net benefits, compared to voluntary standards. Do you agree with our analysis? Including:**

**a) likely uptake of smart appliances, which type of consumer and which time frame**

Research suggests that approximately half of consumers purchase white goods to replace broken appliances<sup>4</sup>. We would therefore expect the uptake of smart

---

1

<http://webarchive.nationalarchives.gov.uk/20130103075432/http://www.consumerfocus.org.uk/publications/under-the-influence-consumer-attitudes-to-buying-appliances>

2 <https://www.criteo.com/wp-content/uploads/2018/01/Browsing-Buying-Behaviour-2016-UK.pdf>

3

<http://webarchive.nationalarchives.gov.uk/20130103075432/http://www.consumerfocus.org.uk/publications/under-the-influence-consumer-attitudes-to-buying-appliances>

4

<http://webarchive.nationalarchives.gov.uk/20130103075432/http://www.consumerfocus.org.uk/publications/under-the-influence-consumer-attitudes-to-buying-appliances> p 15

appliances to be positioned around market readiness (e.g. choice and affordable pricing) and the lifespan of non-smart appliances.

It is crucial to acknowledge that certain types of consumers will not be able to access smart appliances as easily as others. Those who are unable to pay, those who are digitally excluded or renters, without the autonomy to purchase these goods, may be disproportionately affected. In similar situations, where lack of autonomy affects energy consumption, the government has regulated minimum energy efficiency standards for the private rental sector<sup>5</sup>.

Over time, we anticipate there will be continued advances in smart appliance technology, the rollout of smart meters and advances in the policy and regulatory environment. Citizens Advice recommends the government commits to revisiting the support mechanisms for consumers who are less able to easily access smart appliance and engage in the market.

### **b) consumer use of the smart function provided by smart appliances, in relation to different types of tariffs, including fixed and variable**

Our forthcoming research<sup>6</sup> on smart homes identified cost as an important factor in the adoption of connected products, especially where consumers felt the benefits of those connected products were marginal. Where smart appliances are linked to tariffs such as fixed and variable, the benefit of managing energy costs will not be met. In such circumstances - as the value of smart appliances is somewhat diminished - we would expect their uptake is to be limited to consumers who would place enough value on the convenience benefits to purchase the items.

Over time, as the market changes and smart appliance technology advances, we fully anticipate that consumer interaction with smart functionality will change too.

### **c) potential financial benefits to consumers through smart appliance usage in combination to smart tariffs and offers**

Our research into the value of time of use (ToU) tariffs<sup>78</sup> indicates that if these tariffs were combined with automated control of electric vehicles, heating and other appliances the value derived could be £272 m a year. This finding is based on the fact automation can help consumers better respond to price signals. However, the increased value of time of use tariffs based on automation does not take into account the cost of purchasing these products.

---

<sup>5</sup> <https://www.gov.uk/government/consultations/private-rented-sector-energy-efficiency-regulations-domestic>

<sup>6</sup> The exploratory research included 5 focus groups

<sup>7</sup> Full report:

<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/The%20Value%20of%20TOU%20Tariffs%20in%20GB%20-%20Volume%20I.pdf>

<sup>8</sup> Summary report:

<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/Citizens%20Advice%20summary%20of%20the%20value%20of%20time%20of%20use%20tariffs.pdf>

The value is also dependent on adoption rates and as yet, there is uncertainty whether consumers will engage with this market. Should it become mandatory that all appliances are smart, it will then be dependent how incentivised consumers are to respond to price signals.

Question 4: In this document, we have proposed minimum functionalities for each principle. Do you agree with these functionalities? What functionalities should be considered in addition to those listed above?

### **Interoperability**

Interoperability is fundamental for efficient and fair consumer outcomes. Citizens Advice welcomes the fact this has been prioritised by government and support the functionalities that have been outlined in the consultation document.

### **Cybersecurity and grid stability**

In an increasingly interconnected world, a lack of appropriate security poses significant risks to consumers. Where security fails to be sufficient, it can lead to wide reaching and highly detrimental consumer outcomes. Any standards, therefore, should make it easy for consumers to maximise their security and should oblige companies to regularly interrogate their own security measures to ensure ongoing suitability.

Citizens Advice agrees that standards for cybersecurity should build on the 'secure by design' approach taken so far by the government. It is likely the work DCMS is pursuing in this area will further inform standards and should, again, align with EU developments. Citizens Advice has given further feedback to DCMS on their proposals, and we would be pleased to share this with BEIS.

### **Data and Privacy**

Citizens Advice places a high value on the importance of consumers 'owning' their data. There should be a value exchange between companies and consumers, and consumers will need a number of protections to help them make an informed choice:

- It should be clear to consumers if and how data is being used to make decisions for them that affect the price, quality or access to the product.
- Consumers should be aware if data is stored on the device, for how long and how this is removed - this is especially important for change of ownership to prevent privacy breaches.
- Consumers should be able to easily share any data collected with rival companies, should there be a wish to do so.

- The scope of data collection should be reviewed by companies and the enforcing body to ensure that more data is not being collected than is necessary for the purpose of the product. The enforcing body should be adequately resourced to do this.

More than a third of consumers<sup>9</sup> in our forthcoming research identified 'not knowing how companies use data' as a risk with smart home products. Trust will be key to the uptake of smart appliances and breaches of this trust could set back progress made in this sector.

## Consumer Protection

Citizens Advice agrees that consumer protection should be included within the standards and that the use of smart appliances should be easy and consumer friendly. However, we believe there would be merit in considering further consumer protections, including:

- Accessibility built into appliances - we know that consumers move in and out of vulnerable circumstances. For example, they could develop temporary dexterity or sight issues. Consumers should not have to purchase a new appliance if their circumstances change. We would therefore expect accessibility to be built into products as opposed to being an afterthought.
- Consumer education - we know from previous<sup>10</sup> and forthcoming research that some consumers already struggle to identify off peak and on peak hours. It is important that smart appliances either have the functionality to automate any interactions with a time of use tariff or that there is robust education on these interactions at the point of purchase. This will be crucial to ensure consumer confidence when using the product. Regardless of functionality, there may still be a need to educate consumers about how smart appliances could help save them money to raise consumer awareness and increase uptake of appliances.
- Second hand labelling - as identified in the consultation, there are a number of risks associated with smart appliances. One method to help minimise these risks are to introduce labelling - for example, to help consumers understand that the device may require internet connectivity. As with other industries<sup>11</sup>, there should be some consideration about how this information is transferred upon change of ownership. A similar second hand labelling scheme could be beneficial and provide much needed information to consumers.

---

<sup>9</sup> 18/51. This research involved qualitative focus groups.

<sup>10</sup>

[https://www.citizensadvice.org.uk/Global/Migrated\\_Documents/corporate/taking-control-energy-finaL.pdf](https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/taking-control-energy-finaL.pdf)

<sup>11</sup>

<https://www.businesscompanion.info/en/quick-guides/product-safety/second-hand-upholstered-furniture>

- Setting up smart appliances - at this stage, we do not know how smart appliances will work or what requirements will be put onto consumers during the 'setting up' stage. But it will be important for set up to be as simple as possible. If required, the onus should be on energy suppliers to make information and support easily accessible to consumers.
- Consumer redress and advice when things go wrong - it is important that consumers are protected if things go wrong. As mentioned previously, more and more consumers are choosing to buy goods online, including from other countries. It is crucial that there are clear enforcement rules if goods are bought from abroad and of what protections a consumer will have. We would also expect the product liability framework to keep pace with technological advancements and new flexible electricity contracts so consumers are protected and compensated, if they suffer damage, with a clear assignment of responsibility where multiple parties are involved.

Question 5: Do you consider that we have correctly outlined above the risks associated with smart appliances? Are there any that are missing and need to be addressed? Please provide evidence.

Citizens Advice agrees that cybersecurity and data protection could be significant and welcome steps taken to mitigate these risks.

It is our view that smart appliances should offer good value to consumers - whether this is in cost savings or convenience, or both. The value proposition of smart appliances can be complex, especially if the value of most interest to the consumer is derived from interactions with ToU tariffs. The Government should consider how to educate consumers to make informed decisions not only for usage but to encourage appropriate uptake.

Smart appliances could help consumers choose when to use energy at the cheapest rates. Other technologies, such as battery storage and microgeneration, can also help people consume energy cheaply. Where a consumer has these technologies, they may not need to use smart appliances in the same way. There is a risk that consumers will not always understand how to use these conflicting technologies or their personal requirements.



Question 6: Consumer protection is important to the Government, and we will continue to monitor and engage with this to ensure consumers are protected in a smart energy system. This work will include assessment of distributional impacts of smart appliances and consideration of product safety provisions. Do you consider there to be major principles of protection which have not been covered above which will be developed into standards for smart appliances?

Citizens Advice agrees that there should be an assessment of the distributional impacts of smart appliances and how this could affect their ability to interact with time of use tariffs. Our previous answers also allude to the need for consumer education about smart appliances - particularly over functionality and usage. Government should consider how best to deliver this education, such that consumers are able to make informed decisions.

There will also be a need to consider the consumer advice and redress needs for consumers with smart appliances. As the energy market continues to change the boundaries between products and services will continue to blur: it will be essential that protections are in place to ensure consumers have a clear route to redress when something goes wrong.

Question 7: Do you agree that the standards should be applied as uniformly as possible across smart appliances, for example, horizontally, and should be catered to individual appliances only where necessary?

We expect there will be a need to apply some standards uniformly across all smart appliances, such as interoperability. However, it is also likely that some standards may require further nuance to avoid inappropriate conduct. We would encourage government to align with international frameworks, where reasonable.