

Community Energy: Maximising the contribution in a changing energy market

**citizens
advice**



Future Energy Consumers

Our Future Energy Consumers programme explores how consumers might use energy products and services in the future, and how markets and regulation need to change to meet their needs.

The UK energy market is changing, but few experts would be confident predicting exactly what form that change will take.

Will generation become more decentralised? Should there be an increase in local ownership of energy projects or companies? Can consumers become more engaged with their energy usage?

Supporters of community energy believe it can positively disrupt the energy market, by driving an increase in decentralised, locally owned or managed energy, with high levels of consumer engagement, ultimately reducing costs and carbon emissions.

As the statutory energy consumer representative, Citizens Advice has looked at how consumers experience and understand community energy.

This report is based on original research commissioned by Citizens Advice and undertaken by the Centre for Sustainable Energy (CSE) (unpublished).

CSE conducted in-depth interviews with 20 consumers regarding 7 different projects. They also interviewed representatives of 11 community energy organisations.

What we found



Consumers are generally positive about community energy...



In some cases not all members of the defined community were able to participate...



Consumers experienced some problems with community energy projects...



Community energy organisations are motivated by doing something new, and making a difference in their community...



Complaints processes in community energy can sometimes be too informal...



The problems we found were mostly minor, and participants were willing to overlook them...



...but there isn't always hard evidence of cost savings, or other tangible benefits



...and targeting vulnerable consumers can have unintended consequences



...the most significant was dissatisfaction with information provision



...but they can overlook existing good practice in consumer protection



...this is a risk for organisations who provide services to vulnerable individuals



...but this isn't sustainable for an ambitious, growing sector

What is community energy?

The UK Government's 2014 Community Energy Strategy, divides community involvement in energy into four different activities:

- **Generating energy** (electricity and heat)
- **Reducing energy use** (energy efficiency measures and behaviour change)
- **Managing energy** (balancing supply and demand)
- **Purchasing energy** (collective purchasing or switching to save money on energy)

Community Energy England & Wales' 2018 [State of the Sector](#) report states that there are now 228 constituted community energy organisations actively delivering or developing projects covering energy efficiency, renewable generation, low carbon transport and more.

For our research, we were focused on understanding how community energy works for consumers when it involves some kind of change to how they use or purchase energy in their home. So our definition of 'community energy' is narrower than the one used by Community Energy England and Wales.

We only interviewed consumers or practitioners involved in projects offering a service to people in their homes. These projects included 'Rent a Roof' Solar PV, matched electricity supply tariffs, and 'pay-as-you-save' schemes.

We didn't look at organisations that offer investment in renewable generation, or at locally owned / local authority owned conventional energy supply companies (e.g. Bristol Energy / Robin Hood energy).

Terms used in this report:

Consumers: people receiving services from a community energy project.

Practitioners: people involved in the running of a community organisation delivering an energy project.

Community organisations: these can be constituted in a number of ways, and not all of them will be solely focused on delivering energy projects.

The changing policy context for Community Energy

In 2015 the Feed-in Tariff (FiT) scheme was reviewed and tariffs were significantly reduced, especially those supporting solar PV. Many community energy organisations, which relied on income from FiTs feared the sector could stall, and not play as significant a role in the market as was previously hoped.

However since then, we have seen new business models emerge, such as Energy Local - which uses a power purchase agreement (PPA) and local market as an alternative to government subsidies.

Ofgem and National Grid have consulted on changes to the structure of the electricity network to enable greater flexibility. This could enable community energy organisations to offer demand management, peer-to-peer trading, and local generation. Future changes to Distribution Network Operators' (DNO) business models could also see a resurgence of smaller energy projects, including community energy.

Local and community involvement in energy is not a new idea: it is often discussed in the context of the future energy market. As the market continues to change, digitisation and the availability of data will make it even easier for community energy projects to innovate and tailor models to local people, and crucially to capture evidence of the benefits they deliver.

“The rise of decentralised power has gone hand-in-hand with a democratisation of the energy system. Not only are individuals and communities across Britain increasingly setting up – and co-owning – energy assets, but new business models are emerging that seek to scale up community involvement in energy.” - Forum for the Future [‘Wise Minds’](#) (2017)

A note on energy supply

It's important to note that all participants in the community energy projects we spoke to were also still customers of a conventional energy supply company.

The most significant recurring consumer issues in energy are billing and debt management problems. These remain the responsibility of the licensed energy supplier, rather than any community energy organisation offering additional services, and so did not come up in the research.



Consumers are generally positive about community energy

Two of the most frequently advertised benefits of community energy projects are cheaper energy bills, and reducing carbon emissions.

Consumers we interviewed believed they were saving money, reducing their carbon footprint, and some felt more engaged with their energy usage. Some were actively enjoying the challenge of shifting or reducing their demand.

They also mentioned some indirect or 'soft' benefits, like meeting new people in their community through the project, and a sense of pride at being involved in something innovative.

Softer outcomes are harder to measure, but consumers value them, so organisations should make efforts to evaluate them in a structured, robust way - for example through customer surveys or feedback forms. This is especially important where claims are being made as part of the marketing of a new project or service.

"It's good for the environment and it's good for my bank account."

"We were paying £70 a month and [our supplier] has just asked us to drop it down to £25."

Quotes from rent-a-roof consumers



But there isn't always hard evidence of cost savings, or other tangible benefits

Bill savings and carbon emission reductions can both be directly measured. However, consumers who believed they were saving money often didn't base this belief on any hard evidence (like a bill comparison).

In some cases, information to make this comparison wasn't available, for example because of issues with a smart meter display.

Being unable to prove definitively that a project is delivering what it promises is problematic: particularly when it comes to recruiting new participants in future.

Tracking energy usage, monthly or annual costs, and calculating reductions in carbon emissions should be part of project design.

Organisations should learn from the technical issues experienced with some projects, and umbrella bodies in the sector should help share best practice to avoid these issues.



In some cases not all members of the defined community were able to participate

Energy projects can be designed to benefit a local community in one area, or a 'community of interest'. However a community is defined, it is important that all members are equally able to benefit.

Our research found no evidence that any consumers were being actively excluded from projects. However, some were unable to participate in projects for design-related reasons, or practicalities outside of the community organisation's control.

Some projects had limits on the number of participants, or excluded properties with roofs that were unsuitable for solar panels. Others missed out because their home was connected to a different part of the grid than their neighbours on the same street.

Some consumers weren't clear about the reasons that their homes could not be included in the project, and most had only had the explanation verbally. Some stated that this had caused disappointment and minor social tensions between them and their neighbours.

"The residents that are young enough to fully understand it have been quite willing to participate, I believe. But I do know that there is a group of residents who are very elderly who perhaps have other issues, they can't understand it."

Rent-a-roof consumer



Targeting vulnerable consumers can have unintended consequences

Some community organisations actively targeted older or disabled people, who can sometimes face higher costs if they need to use more energy during the day.

High energy users could certainly benefit from lower bills, but may be less able to shift demand - for example if they use medical equipment. Time-of-use tariffs might actually increase costs for vulnerable consumers, if they can't shift demand from higher rates at peak times. Community organisations should ensure potential participants are able to make an informed choice about whether a matched / time of use tariff will suit their lifestyle.

"[Targeting vulnerable households] chimed with our objectives because it was reduced use of fossil fuels and carbon but also to tackle fuel poverty to an extent."

Rent-a-roof project representative



Consumers experienced some problems with community energy projects

Examples of problems relating to community projects included:

- Consumers not understanding information they received about the project
- Reliability of technology - such as faults with solar panels
- Metering issues - not being able to view real time data, meters not being accessible
- Issues with installation - e.g. minor damage to the home such as water leaks
- Lack of information from the supplier partner in one matched tariff project
- Lack of choice to switch supplier in a matched tariff project
- A key partner to the community organisation, such as an energy supplier, going out of business

Encouragingly, we did not find any examples of major detriment, and the examples we did find should not be taken as systemic issues with the community energy sector.

“He came back with some explanatory notes, two pages of A4. (...) So I went back to him and said, we just want a self-explanatory card with the icons, the flashing lights and explain what it's doing when those lights are flashing.”

Rent-a-roof consumer



The most significant was dissatisfaction with information provision

Some consumers expressed frustration that information about how the community energy project worked was too complicated. Written information was described as too long, and in need of graphics to illustrate complex ideas.

Information was sometimes given verbally at public meetings, but not in writing. This left consumers confused about how time of use tariffs or their newly installed equipment worked.

Community organisations should ensure consumers have the information they need to benefit from their project.

“As long as you don't use more than one appliance at a time, like as long as you use your microwave on its own and don't use it with your main oven, then you're saving. But if you're using the two together you're using it all at once. What they're saying is, use them at certain times of the day, like first thing in the morning, is the best time to use your cooker.” - Matched tariff consumer recalling information given verbally



Community energy organisations are motivated by doing something new, and making a difference to people in their communities

Practitioners expressed a desire to do something that was different from the mainstream energy supplier / consumer model.

Most models involve a different relationship with their members, encouraging behaviour change, more direct consumer engagement with energy usage, or direct participation in the running of the project itself.

Practitioners sometimes expressed negative views of the mainstream energy sector, and in some cases set up their projects as a reaction against the perceived failings of the mainstream model. For this reason, practitioners sometimes prefer to talk about participants in their projects as 'members' or 'co-owners' rather than 'consumers'. Some expressed the view that as an ethically motivated organisation, they were more likely to treat their customers fairly compared to mainstream suppliers.

Some practitioners did not see the relevance of consumer protection to their organisation, viewing it as a narrow set of regulated activities done by energy suppliers.

"We don't need a 'process' because we care about every single one of our customers"

Pay-As-You-Save organisation representative



But they shouldn't overlook existing good practice in consumer protection

Specific areas where practitioners did not always give clear evidence of understanding or robust processes included:

- Providing clear, accessible information
- Clarity on rights of joiners and leavers
- Emphasis on vulnerable consumers
- Data protection
- Ensuring reliability of technology

It is important to recognise that energy remains an "essential for life" service. So we would be concerned at any organisation that simply assumed they were treating consumers fairly, and protecting them.

Best practice in community energy will mean ensuring there are robust processes in place to protect consumers, and monitoring to make sure those processes work.



Complaints processes in community energy can sometimes be too informal or ad hoc

Consumers felt happy with relatively informal routes of redress, which usually consisted of contacting the project's manager directly.

However there are risks to this approach:

- Relying on a single individual increases the risk that complaints will not be resolved if that person is not available, or not able to resolve the problem. This could be particularly acute in organisations who rely on volunteers.
- It makes it more difficult to raise concerns about that individual themselves, and is reliant on personalities and a good relationship between them and the would-be complainant
- It does not make clear to the customer how their complaint will be handled and resolved, or how they will receive redress for any detriment they might experience

"[Our helpline] is not used massively. I think it's, 'I've got a red flashing light on the front of my diverter,' sort of thing.

"Those are the sort of enquiries mostly. But they can ask anything. It's not just for complaints; it's for any enquiry they've got about any aspect of the system that they don't understand.

"So there is a system and it appears to work but it's not used a lot."

Rent-a-roof project representative



This is a risk for organisations who provide services to vulnerable individuals

We don't believe that the problems we identified are systemic, and they were not putting consumers at significant risk.

However, many community organisations target vulnerable consumers, such as older people, people with disabilities, or people in fuel poverty. This makes it all the more important to have adequate protections and redress policies.

For example, the problems we found with metering and damage to participants' homes would be potentially more serious for vulnerable customers than for the individuals we interviewed.

And our forthcoming research into time of use (ToU) tariffs also found that some households are much less able to benefit from off peak rates by shifting demand. So community organisations should check that consumers are definitely able to benefit from what they are offering.



The problems we found were mostly minor, and participants were willing to overlook them

Many of these projects were clearly promoted to consumers as a trial or pilot, so consumers were generally quite forgiving where projects failed to meet their expectations. They continued to feel positive overall, because the aims of the project appealed to their broader values.

The consumers we spoke to understood that they were participating in something new and untested, and valued this as positive in itself.

Citizens Advice believes the issues our research has identified should be viewed as opportunities to learn and improve.

There is a long history of important progress in consumer protection which should not be overlooked in the drive for innovation. There are many examples of good practice in the mainstream energy market which community organisations could learn from.

“ [I] do it for altruistic, long-term reasons, but effectively it's not commercially viable at the moment... it's essentially an ideological movement, rather than an actual engagement with the energy sector as it is.”

Matched tariff consumer



But this isn't sustainable for an ambitious, growing sector

The community energy sector should not plan to rely on goodwill from consumers around teething troubles, or ad hoc complaints processes indefinitely. If it is to expand and make the disruptive impact that many supporters hope for, community energy will need to appeal to a wider group of consumers who are less motivated by values or the desire to try something new.

Scheme managers should seek to learn from the teething issues others have discovered, and design them out of their own projects. Stories of inconvenience and unreliability are likely to put off less value based consumers from getting involved.

“That side of it really, just the environmentally friendly energy and the 'localness' of it. To be honest [saving money] wasn't such a big part of it for us.”

Matched tariff consumer

Conclusions

We know that community energy organisations are working hard with limited resources to set up projects in a challenging and changing policy context.

To maximise their potential contribution to the future UK energy market, community energy organisations should be at least as good as regulated energy companies at customer service and consumer protection.

Getting this right is an opportunity to do the best for their members and participants, and broaden their appeal to a wider group of consumers.

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Future Energy Consumers

Recommendations

Whatever the future of energy in the UK, it seems likely community energy projects will form part of the mix.

Citizens Advice, as the statutory consumer watchdog for the energy market, recommend community energy organisations adopt five key principles in designing their projects:



Collect evidence of **tangible benefits** to participants



Design projects to be **inclusive** for all members of the defined community



Work to identify and **prevent detriment** to consumers



Have robust arrangements in place to **protect** consumers



Make it easy to **get things put right** when something goes wrong