

# Future energy consumers

Views from our digital series



# Introduction

In 2018 Citizens Advice kicked off a 2 year programme of research and advocacy on the future of the energy market. The energy market transition is being driven by a number of factors, including technology, legislation, consumer demand and concerns about the climate emergency. Energy is an essential service, and everybody should benefit from the changes and improvements to the market.

The findings from this programme of research were used to develop our vision of the future energy market that is inclusive by design, facilitates innovation, and is fair and accessible to all.

In Summer 2020 we hosted 4 digital workshops to share and discuss this vision. We heard from a wide range of stakeholders, including people from across industry, government, the regulator and academia. The workshops focused on understanding and overcoming the barriers that might prevent people from being able to access and interact with the future energy market.

Each workshop had a specific focus:

- Consumer Protection
- Policy action and governance frameworks
- People who live in homes in the private rented sector
- People who are digitally excluded

We used an online message board to identify and prioritise what participants thought were the most important issues. There were a number of recurring themes and topics across the series of workshops. Stakeholders identified 3 key issues that need to be addressed to ensure that all consumers can engage with, and benefit from, the future energy market:

- 1 Communication with consumers**
- 2 Engaging all consumers**
- 3 Regulation and consumer protection**

This report gives more detail on the discussions at the workshops. Citizens Advice has also set out some of the possible actions and next steps based on the feedback given at the workshops.

## Next steps

# Communicating and engaging

### Government

Ensure that the forthcoming Energy White Paper sets a clear direction of how the energy market will contribute to the government's net zero carbon emissions by 2050 target, with an impact analysis of what this will mean for energy consumers.

Set out a clear vision of the energy related options for people's homes and businesses, and establish a holistic customer journey with clear consumer protections. This should include a net zero homes guarantee that gives people information, protection and support.

### Ofgem

Ensure the right obligations and tools are in place for consumers to make informed choices in future energy markets.

### Industry

Prioritise clear and transparent communication for new offers, products and services.

Ensure that information sharing is effective by using repetition where necessary to ensure people fully understand the offer.

Take the time to understand what implications new offers might have on the complaints handling process.

## Next steps

# Enabling participation for all

### Government

Government should introduce policy to ensure new energy technologies can be split between tenants and landlords, and regulatory barriers to this should be minimised. Government should also make sure that the existing obligations on landlords are enforced.

Work with industry to identify technical and infrastructure challenges that prevent people from accessing new market models.

### Ofgem

Ofgem should make it clear to companies that they must have a range of options for people to contact customer services, taking account of both personal preferences and particular needs.

### Industry

Offer a variety of contract lengths and propositions to suit different types of consumers, such as consumers who live in the private rented sector.

Ensure that information and customer support is not solely provided online and that people can access help and advice in a variety of non-digital formats.

# Communication with consumers

**It is vital not to underestimate the importance of communicating with people clearly and in plain English. Workshop attendees repeatedly stated that consumers must understand what they are signing up for, how to switch away from a provider, and how to get help to solve problems.**

## **Information from government**

Stakeholders told us there is a lack of clear strategic vision or direction in how the 2050 net zero target will be achieved. There was concern about the perception that decisions are often made on an issue by issue basis, with no coherent overarching strategy. This could make it difficult for consumers to fully understand how their energy usage and behaviours might change in the future and understand what choices they might have and how their behaviour might have to change.

People at the workshops told us that they wanted to see a different approach, which considered the system as a whole. They felt that professional advice and guidance must be sought to ensure that decision makers would find the solutions that deliver the lowest cost and most sustainable decarbonisation.



## **Understanding the offer**

Many participants noted that future business models are complex, and in some cases completely different to the normal way of paying for energy usage.

The energy as a service model is a good example of a new offer which requires careful consideration. It includes distilling complicated information and making it understandable for consumers. Like most new concepts, the way you introduce terminology and guide the consumer through it will be important for good outcomes. This will also apply if there are a number of companies involved in providing services to homes. Many stakeholders agreed that because of the complexity of determining costs for outcomes, it will be vital that consumers understand exactly which company is offering a product or service, on what basis, and for how long.

Customers might also be sceptical about the potential (or perceived) lack of control they might have over decisions when it comes to new energy services and products in their homes. For example customers might feel they have less freedom to use energy at any time if they are on a Time of Use (ToU) tariff. Using a third party intermediary might give people the feeling that they don't have control over decisions about energy in their home, or that they lack oversight on how their account is being managed and how their data is being used.

# Communication with consumers

When offers are complicated, it will be important to find a way to give people transparency and clarity about what's happening, and confidence that they have made the right choice.

## **Comparing offers and switching**

Another aspect participants thought was important to consider was whether people are able to easily compare different providers, and switch if they want to. Stakeholders told us that there were concerns that consumers in vulnerable circumstances might struggle to engage, with specific reference made to people who are digitally excluded. However, it was also noted that even people who are more digitally literate and 'energy savvy' might struggle.

Stakeholders had concerns about this. An Energy as a Service model might use quite subjective descriptions of warmth and comfort, which could make it hard for people to compare offers from different providers. Time of Use tariffs also present challenges for people comparing suppliers - a consumer might choose to swap to a tariff that looks cheaper but end up paying more as they use most of their energy at peak times when it costs more.

This is a particular risk for people who are digitally excluded, as they might not be able to use online tools to help them understand how a Time of Use tariff would impact their energy bill.

One participant went as far as to say that 'tariff comparison will become almost impossible in coming years'. It was also suggested that it will be important to have an independent, standardised system to compare how much amounts of energy will cost on average.

# Engaging all consumers

**People will need to engage with businesses in a different way in the future energy market. They'll need to make a choice about how active or passive they want to be when it comes to the way they use energy, as the offers become more tailored to homes and businesses. Changes in homes will also potentially take place alongside a shift to low carbon heat technologies or investments to improve home energy efficiency.**

Participants told us that there is a general lack of awareness amongst consumers about the changes on the horizon when it comes to energy technology and behaviour. They also said that ensuring people can engage with future business models in this market will be vital in order to meet the UK's target of net zero carbon emissions by 2050.

A particular risk identified was that new business models could exclude people in vulnerable circumstances. One participant told us:



**"If we can put consumers at the heart of the process and bring them along with us then we stand a better chance of success"**

During this workshop we focused on how we could best support consumers who are digitally excluded or people who live in private rented homes.

## Digital exclusion

Stakeholders had significant concerns that people who are not confident online would be fearful of being mis-sold a product or contract.

Many thought that consumers who are digitally-excluded might have difficulty setting up and using new technology or equipment in their homes. Participants told us that instructions and information about home energy technology shouldn't only be provided online, and there should be support in non-digital formats (e.g. over the phone or in person). In the event of any problems with the technology, it will be important that advice and help are available in different ways as people might not be able to use online help functions.

There was also a concern that if digitally-excluded people had someone help them with setting up new equipment, they could end up locked in to those settings. This could result in the user having settings that don't work for them or that they don't understand.

# Engaging all consumers

Another point stakeholders repeatedly raised was that many future energy models would rely on connectivity. There was concern that consumers in rural areas may have a poor broadband connection or could not use smart meters due to signal issues. Other households may not want to have internet access or may be unable to afford it. This lack of connectivity would be a barrier to optimising energy usage.

## **People who live in privately rented homes**

There is concern that people who live in privately rented homes might be less engaged when it comes to engaging with the new and different businesses that will be active in the future energy market. One example was the current poor understanding among tenants about their right to switch energy supplier. It's likely this lack of understanding would also impact on their engagement with future energy models.

A number of workshop attendees commented on the precarious nature of short term tenancies in the private rented sector, which could detrimentally affect engagement. The potentially long term length of contracts might put them off. One participant suggested there could be an obligation on providers to offer shorter term contracts as well as long term contracts.

Stakeholders also discussed the lack of incentives that might encourage tenants and landlords to invest in things like energy efficiency measures, and suggested that this risk could be mitigated with a renewed focus on the obligations and responsibilities of landlords.

There was also an acknowledgement that there are more specific things associated with different business models that would prevent private tenants from engaging with the energy market. For example, the high upfront costs of equipment might feel out of reach, or using ToU tariffs with smart appliances or chargers might not be possible if landlords object to the tenant having them installed. Another, current example given was the experience of some tenants who have a change of meter clause in their tenancy agreement preventing them from installing a smart meter.



# Regulation and consumer protection

**Effective regulation will be essential as the energy market transitions to incorporating different business models delivering a diverse range of services and products. Many stakeholders at the workshops told us that the approach to regulation and consumer protection frameworks should be principles-based and outcomes focussed.**

Stakeholders recognised that regulation has to achieve an important, and sometimes difficult, balance of allowing space for innovation and new business models, while also protecting people and addressing poor behaviour. Some workshop participants expressed a concern that technological developments happen much faster than regulatory changes meaning there is a risk of unregulated innovation.

## **Cross sectoral regulation**

Participants identified scope for some areas of regulation to be cross-sectoral, such as access to independent advice, customer support, and access to redress. Some stakeholders were also keen to see consistent support for vulnerable customers, though it was recognised that this could be difficult as it would require a consistent definition of vulnerability across sectors.

It was suggested that there was potential for people and institutions outside of the energy sector to identify vulnerability. If there was a way to share this information then it would be easier to ensure protection was in place for vulnerable consumers.

One important area for cross-sectoral regulation was across home improvement works. Stakeholders were concerned that independent approved trader marks were not reliable and meant consumers didn't know if they could trust the company they chose. Attendees suggested that there should be a centralised scheme to carry out quality checks, regulate complaint standards and monitor performance.

## **Regulating Third Party Intermediaries (TPIs)**

New third party intermediaries were highlighted as actors in the energy market that should be regulated. Participants told us that general consumer protections are not adequate, and that regulation would help to give people confidence when they used these services.

# Regulation and consumer protection

Workshop participants were concerned that third party intermediaries might not offer enough protection for vulnerable consumers. A particular concern was that if a consumer used an auto-switching provider they may be switched to a supplier that does not offer the support they need or rely on - such as Warm Home Discount, or that the provider would not be informed that they should be on the Priority Services Register.

The greatest concern around regulation for third party intermediaries was that there could be confusion around who is responsible when something goes wrong. One attendee raised that this may be particularly difficult if the intermediary operates in sectors beyond just the energy industry, as it may be unclear which consumer protection authority is responsible for any complaints.

## **Complaints handling and dispute resolution**

Many workshop participants agreed that it was important people could have the option of making a complaint through a range of channels, both online and offline. Participants said that complaints procedures should be well signposted, and consumers should have clear expectations of when they will receive an outcome.

Stakeholders also told us that some future energy models might create an unclear framework for complaints, particularly where a third party intermediary is involved or if the consumer lived in the private rented sector. It will be important that consumers don't feel they are being passed around from 1 organisation to another. Ideally a consumer will only have to report a complaint once and be confident that it will be investigated and resolved.

# Appendix

- 1 Citizens Advice vision for a future energy market

## The future energy market is:

inclusive by design and recognises the essential nature of energy supply. It should facilitate and encourage innovation, be accessible by all and treat everybody fairly, regardless of their circumstances

## This means it delivers:

- A seamless consumer journey
- Control for consumers and citizens
- A fair way of paying for the energy system
- High standards of regulation and governance

# How a future energy market should feel for consumers



- ✓ I can confidently engage in the energy market
- ✓ I can access different options and benefit from new technologies and services
- ✓ I am not penalised for being loyal to my supplier or provider - or locked-in to any product or service
- ✓ I can control and amend how my data is used and shared
- ✓ If something goes wrong I can quickly and easily get it put right - I don't have to navigate between companies
- ✓ I feel in control over my energy experience



Companies provide transparent, comparable and simple information about products and services



Advice and support to make the right decisions



Robust regulations for new business models that ensure consumers are not asked to pay the costs - or carry the risk - of a company failing



Products and services are inclusive by design



Protections are consistent across markets



Products and services are interoperable and data is easily portable



Independent advice and redress options

# Good quality, independent advice. For everyone, for 80 years.

We give people the knowledge and confidence they need to find their way forward - whoever they are, and whatever their problem.

Our network of charities offers confidential advice online, over the phone, and in person, for free.

With the right evidence, we show companies and the government how they can make things better for people.



**[citizensadvice.org.uk](https://citizensadvice.org.uk)**

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