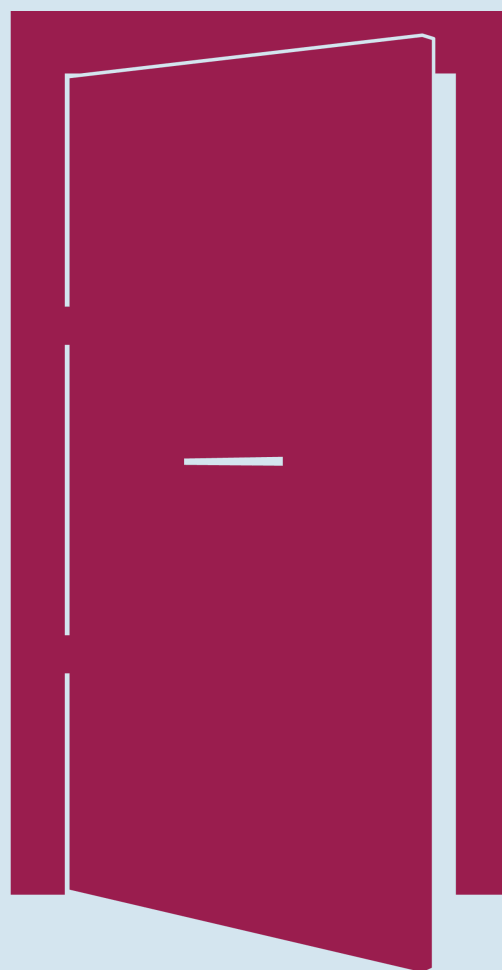


Room for reform

Embedding fair outcomes for tenants in tomorrow's retail energy market



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Summary

Energy policy is often focused on idealised, “typical” consumers - homeowners who have a large amount of control over their energy usage and are able to easily make changes to their property. In reality this will also depend on various other factors like income and motivation, but some households are fundamentally more constrained.

The 20%¹ of people who live in rented homes consistently experience worse outcomes in the retail energy market than other tenure types, including disproportionate levels of fuel poverty. Due to their circumstances and often a lack of control over their energy supply, tenants are particularly at risk from poor outcomes.

They have also disproportionately borne the brunt of the COVID-19 pandemic, with many seeing a reduction in income, and they are facing a bleak outlook as the cost of living crisis bites, with energy cost rises driven by historically high wholesale prices.

More broadly, tenants often struggle to feel safe and secure in their properties. One of the main reasons for this is the constant threat of evictions, meaning tenants often don't feel able to raise issues like repairs or challenge landlords when they aren't meeting their obligations. Citizens Advice's broader work² around ending Section 21 evictions has consistently highlighted these themes.

Looking to the future, the retail energy market stands on the brink of a revolution that could improve how people engage with and experience their energy supply. Innovation is harnessing the opportunity that the need to decarbonise and the opportunity of better data represents, with new energy technologies and business models promising to cut bills and increase comfort - to improve fundamentally on what went before.

The potential for better outcomes in the future retail energy market is significant. However, this will only be delivered if barriers to engagement are addressed as much as possible to ensure a fair transition. Previous research by Citizens Advice³ explored the characteristics and groups most likely to struggle to participate in the future retail energy market, with renters emerging as a group highly likely to be at risk of exclusion from future energy services.

The fundamental reasons behind this stem from the consequences of wider insecurity and lack of control in the private rented sector. In the current market this lack of control will put over 585,000⁴ renting



households at risk of missing out on support, including the Warm Home Discount and forthcoming government energy rebate if they are not the billpayer. With predictions that high prices are set to be a feature of the energy market at least until well into next year⁵, this creates fresh urgency to future-proof protections for renters, including ensuring they can control their energy supply, and aren't subject to practices which exclude them from the market such as sub-metering.

By their nature, future retail energy propositions are expected to include assets from smart technology and low-carbon heating to electric vehicle chargers and solar panels. But tenants may not be able to make alterations to their property, and may not plan to remain in the property for long, presenting high hurdles to engagement, while landlords may see little benefit to themselves of making these changes.

The government has put in place rules that should improve the energy efficiency of rented homes, but this isn't enough. The size of the private rented sector, the opportunity for better outcomes from technology and the need to reach net zero all align to make it essential to ensure that tenants are included in the future retail market. Bespoke solutions will need to be put in place to enable this.

The six steps to open up the benefits of innovation in the energy market to tenants are:



Control - tenants must be able to take control of their energy supply, and unlock the support they need



Knowledge - tenants and landlords must know their rights and obligations



Protection - councils and other enforcement agencies must use new data to drive better outcomes



Flexibility - tenants and landlords must be able to adapt their energy offering to changed circumstances



Outcomes - tenants and landlords must be able to know if they opt-in to a service, it will achieve better outcomes



Cost - ways must be found to overcome the initial cost of new energy technologies

The private rental sector in numbers

Who rents and their economic circumstances are significantly different to other tenancy types. Across the UK, tenants are more likely to be younger, with those in the **25 to 34 years age group the largest group (35%)⁶**.

Tenants are also disproportionately more likely to be a member of an ethnic minority - in 2016 **27% of Asian or Asian British people rented privately and 21% of Black or Black British people rented privately** against an average across the population of 17% renting privately⁷.

In England they are more likely to spend a far higher proportion of their income on housing. Including housing benefit, **rent payments in 2017 took up 41% of household income**, compared to 19%⁸ for owner-occupier mortgage payments. Citizens Advice data also shows 1 in 5 expect their rent to rise this year⁹.

Over **1 million rented households were in fuel poverty¹⁰** in Great Britain in 2021. This means one in three fuel poor households are rented, while renters make up 1 in every five homes, even before the expected rise in fuel poverty from current high energy prices.

In 2019, **only 38% of PRS dwellings in England were in the highest energy efficiency rating (EER) bands A to C**, compared with 61% of social rented sector dwellings¹¹.

Over one in eight renters (13%) have their landlord manage their gas and electricity, meaning they are **barred from engaging in the energy market¹²** and risk missing out on key protections.

One in four (25%) of private renters in England had a smart meter in 2019¹³, compared to **over a third** (35%) of owner-occupiers and **over four in 10** (41%) of local authority renters.

Less than three in 10 (29%) of tenants who are bill-payers in 2021 **had ever switched supplier¹⁴**, compared to over half (53%) of owner-occupiers.

Just half (51%) of private renters have **access to off-street parking** at home, compared with eight in 10 (81%) of owner occupiers¹⁵ - **limiting the ability to charge electric vehicles**.

Different tenancies and ways of managing energy

The PRS includes a wide range of housing and tenancy types, which have different rules and obligations covering them. Some common types are:

Assured shorthold tenancies (ASTs) - Over eight in 10 (83%)¹⁶ of private renters have an AST - the most common form of tenancy. They usually have a fixed term of 6-12 months which can be renewed, or moved onto a rolling basis. Landlords can evict tenants without a reason, but must go to court and follow a set process.

Houses in Multiple Occupation (HMOs) - are broadly defined as a residential property with three or more occupiers who are not all related and share some facilities. In 2018 just under one in ten (8%)¹⁷ landlords and agents in England let HMOs.

Lodgers - where a tenant lives with their landlord and shares rooms with them, like a kitchen or bathroom. There are few rights against eviction which can occur without going to court. These tenancies are outside the scope of this research.

In terms of housing type, a government survey¹⁸ of English landlords indicated terraced properties are the most commonly let (46%), followed by purpose built flats (39%), semi-detached houses (32%), converted flats (21%) and detached houses (12%), while 5% let bedsits, rooms or flatlets.

The energy for a property can be managed in 3 main ways:

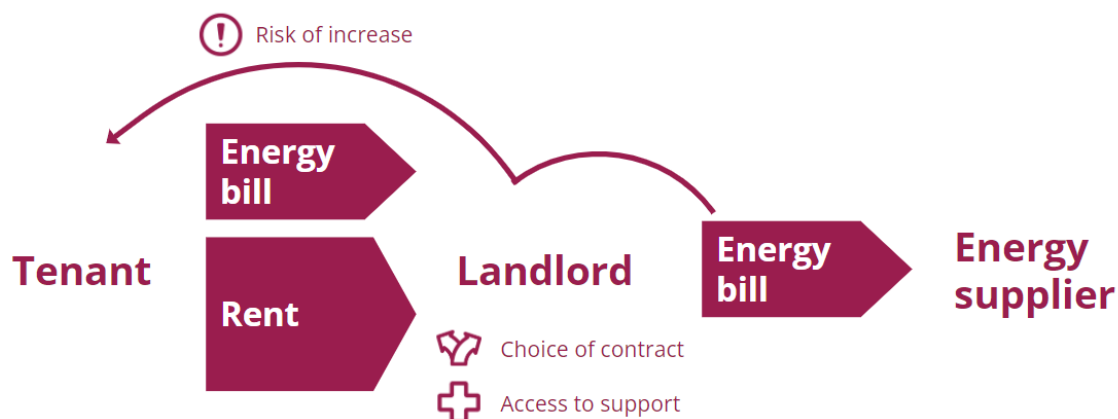
1. The tenants control the energy contract and are responsible for paying the supplier. They can switch energy supplier and payment method, but there may be requirements in the contract to switch back at the end of the tenancy.



2. The cost of energy is included in the rent. This means the landlord manages the account and chooses the prices, but also carries the risk if energy usage changes. This may be more common with HMOs where it is more challenging to manage household bills.



3. The energy contract is paid by the landlord, who then 'resells' it to their tenants. Tenants don't control the price they pay and aren't protected from cost increases if their usage goes up. Landlords are only allowed to resell the energy to the tenant at the same price they pay, though they can add charges for any meters they install to bill their tenants.



Arrangements where the landlord pays can have advantages, but also mean tenants can't access support like Warm Home Discount or vulnerability protections from the supplier, like support with debt and self-disconnection. The energy may in some circumstances be supplied via a non-domestic contract, even though the end users are domestic properties, which isn't subject to the price cap.



Current market issues

Tenants

A wide range of factors contribute to the level of detriment tenants experience in the private rented sector (PRS). Many of these stem from the fundamental characteristics of the PRS where the ability to make active choices about your energy supply is restricted, along with the inbuilt insecurity tenants face.

Control over supply

Our data shows over one in eight (13%)¹⁹ of tenants have their landlord managing their electricity and gas supply, and there are a range of issues that can arise under these circumstances. While in our research workshops landlords who paid their tenant's energy bills generally did so by the tenant's choice or because there were communal facilities, questions emerge as to how much support schemes designed to support vulnerable consumers see some tenants slip through the cracks. Data collection for the Priority Service Register generally centres around the bill-payer, and Warm Home Discount (WHD) similarly provides a £140 rebate based on the recipient being the bill-payer, increasing in 2022-23 to £150. BEIS recognises the disproportionate number of renters in fuel poverty, with 230,000²⁰ more PRS households potentially receiving support via reforms to the Warm Home Discount, but there remains the issue of "unseen" tenants who don't directly pay the bill, but would due to their circumstances otherwise qualify for support.

Geoff* has mental health problems. He is struggling to make payments towards his energy supply. He pays the landlord directly for his electricity via a prepay sub-meter which has less than £10 left and does not have the option of emergency credit. He is on Universal Credit, but has never received the Warm Home Discount. The adviser explained that as he purchases electricity directly from their landlord, he may need tenancy advice - consumer service case study



Even where tenants manage the energy supply and are able to switch, workshop participants identified a theme where tenants were not given the choice of which energy supplier to use at the start of the housing contract. There was generally no encouragement or support from landlords or managing agents to check whether a

different supplier could have saved the tenant money. Some contracts also include notice and return clauses which means the tenant also has to return supply back to a particular supplier when the tenancy ends.

Issues can also arise where control over the energy supply is in doubt or dispute, with negative consequences including consumer service cases showing tenants being chased by debt collectors where the landlord is the account holder.

Anna* has previously received debt collection letters and had bailiffs at her address this morning with over £1000 due for the energy supply. She has attempted to contact the energy supplier but can't get through as the account is not in her name but the landlord's - consumer service case study

Yusha* lives in a rented property and energy bills are included in the tenancy agreement. The landlord has not paid the energy and the supplier came out and removed the meter and replaced it with a prepayment meter. He has not received a top-up card and is relying on emergency credit - consumer service case study



Control over supply also extends to control over which type of meter tenants have, with particular impacts on the smart meter roll-out. Suppliers are obligated to promote the widespread installation of smart meters to facilitate more accurate billing, remove the requirement for meter reads, and to be able to more actively support consumers, for example through applying credit to a smart PPM meter when necessary. However, smart meter installation rates in the PRS have long lagged those in other tenancy types, with government figures²¹ showing 25% of private renters in England had a smart meter in 2019, compared to 35% of owner-occupiers.

Smart Energy GB has recognised this challenge and provided a wide range of useful [information resources](#) for landlords and tenants, highlighting that it is a tenant's right to change the meter where they are the bill-payer, though not where the landlord pays the bills or rebills them.

However, a smart meter installation which needed building work or alterations to the property to be carried because of the location of the existing meter would still need the landlord's consent. Typical scenarios include where a meter cupboard is too small, or where furniture like kitchen units has been fitted inappropriately around the meter. Smart appliances also raise concerns over landlord control of tenant heating to minimise costs, with well-publicised examples appearing in the media²².

Contract length

A fundamental feature of the PRS is the shorter length of time tenants inhabit their properties. This is driven both by the predominance of Assured Shorthold Tenancies which typically have an initial length of 6-12 months²³, and by the personal characteristics of those that rent generally being younger and more likely to move location.

Government figures²⁴ show in 2019-20 in England, private renters had lived in their accommodation for 4.3 years on average, considerably shorter than for social renters (12.2 years) or owner occupiers (17.4 years). More than half (53%) of private renters had lived in their current accommodation for two years or less.

This expectation of moving on means tenants are significantly less likely to engage in offers that have any element of lock-in or fixed contract. Tenants moving into a property on a 12-month AST contract may also feel they need to switch to a fixed term energy contract early in their tenancy to align the energy and tenancy contract dates to avoid exit fees, and if they don't take this action early may remain on a standard variable tariff. It was evident with tenants who participated in the research workshops that those with short-term contracts were least likely to have switched or to have considered switching supplier. Tenants in vulnerable circumstances were also far less likely to switch, particularly those lacking digital skills or with English as a second language, but this was more due to these characteristics themselves than being tenants.

Knowledge of rights

A broader gap has been identified in previous research around consumers having a poor knowledge of their rights in regard to renting. Information is available to tenants, for example in England the DLUHC How to Rent checklist provides information for tenants and landlords on their broader rights and responsibilities at each stage of the renting process. However, in terms of energy rights, few tenant workshop participants were aware of their ability to change meter type, or request the installation of new energy efficiency upgrades.

The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015²⁵ established a new right for domestic private rented sector tenants, whereby tenants can request consent from their landlord to install energy efficiency improvements in the property they rent, and the landlord cannot unreasonably refuse consent. However, tenants were not aware in the workshops that they could request such measures and would like to be better informed. No tenants interviewed had direct experience of requesting energy efficiency improvements from their landlords.



I wasn't aware of it either [...] I'm renting for the short term [...] my minimum is six months but really depends on my work. And if they would say that there's no cost for landlords and I would have to pay for it not knowing what the improvements would be, selfishly I don't think I would.



- Tenant research workshop participant

Power imbalance to ask for improvements and changes to homes

Policy makers, including a recent select committee inquiry²⁶, have recognised the power imbalance at the heart of the tenant-landlord relationship. The regulatory system for housing standards primarily relies on tenants taking action against their landlord by reporting poor conditions to their local authority or seeking redress through the courts. Polling conducted for Citizens Advice²⁷ indicates 8% of tenants would not be confident asking for repairs to an essential appliance like a boiler, 12% would not feel confident raising issues like damp or mould and 23% would not be confident asking for support in making the house more energy efficient.

Given this imbalance, the appetite of tenants to request landlords improve the energy efficiency of the property or upgrading appliances or technology is currently limited. While energy efficiency schemes and policy mechanisms such as Minimum Energy Efficiency Standards have made a significant impact improving the most energy inefficient homes, this has generally been through obligation, rather than tenants requesting changes.

Minimum Energy Efficiency Standards (MEES) explained

The government introduced regulations that came into force in 2016 requiring some landlords to upgrade the energy efficiency of their property. Landlords of a domestic private rented property could not grant a new tenancy for their property after 1 April 2018, and could not continue to let the property after 1 April 2020, where the energy performance of the property is below the minimum level of EPC Band E. A cost cap was applied meaning landlords never had to spend more than £3,500, and some exemptions applied.

The government also consulted in 2020 to raise the bar on these standards, with a minimum EPC C for new tenancies from 2025 and for all tenancies from 2028. A final decision on this proposal is expected in due course.

Tenants also face concerns in England over not knowing whether their landlord is registered and accredited. Responsibilities for inspecting that housing standards are being met are also dispersed. Citizens Advice has previously set out²⁸ how a national landlord and property register could work in practice, to ensure tenants in the private rented sector must have access to enough information to be able to make informed decisions. The government has now committed in the Queen's Speech²⁹ to legislation that would bring forward a National Landlord Register. This should be carefully designed to ensure it helps address a range of detriment for tenants, including in relation to energy.

Bill-splitters

Citizens Advice's previous work³⁰ on third-party intermediaries has illustrated the consumer protection challenges that arise where organisations that play a central role in the energy consumer experience are unregulated. Tenants, particularly students and others in homes of multiple occupation (HMOs), are targeted by these services, as they offer a convenient way to split shared bills. However, there are continuing concerns over whether suppliers know who their customers are who use these services, and their characteristics such as vulnerability. A recent example was the failure of HUB Energy, where a significant proportion of contracts were held through bill-splitter arrangements, making the Supplier of Last Resort process more complicated. Under some bill-splitter terms and conditions, individual occupants can still be liable for the whole amount if their flatmates don't pay, or lose any credit that had built up, with this not being made clear before signing up³¹. Costs can also be higher using these services, and it can be difficult to compare offers.

The government has recently looked at the harms³² related to third-party intermediaries including a focus on the role bill-splitters play in the market. We've previously called for the government to close this protection gap and for these services to be regulated by Ofgem.

Sub-metering

Behind the main meter for a particular building or site that's managed by an energy supplier, it's possible to install "sub-meters" to measure energy usage. For example, the main meter could be for a block of flats and the sub-meter would measure the usage of each individual tenant's flat. A wide range of businesses offer to install sub-meters but they can mean that tenants miss out on established consumer protections as energy regulations in many cases effectively don't apply beyond the main meter. For instance, pre-payment sub-meters can leave tenants who can't afford to top up left without supply and without access to the support that is available from

suppliers for customers who've disconnected such as Additional Support Credit, or from charities that offer fuel vouchers.

Cases seen by Citizens Advice have involved converted office buildings becoming blocks of flats where tenants have no visibility over the overall bill or whether they are being charged fairly, and miss out on access to schemes such as Warm Home Discount. Under Permitted Development Rights developers have been able to more easily convert commercial buildings like offices to flats since 2013, with DLUHC figures³³ showing 73,575 such office to dwelling conversions between 2015-16 and 2020-21, with an average of over 12,000 new such dwellings being created each year.

Consumers also have fewer rights in relation to data transparency and getting access to the data that is collected via sub-metering, and miss out on the benefits of smart meters. While Maximum Resale Price rules³⁴ apply to the price of electricity purchased through these arrangements, they do not apply to the cost of the metering services. New industry reforms³⁵ have put forward sub-metering as a solution to allowing individual assets to offer flexibility services, meaning they could play a bigger role in the future of the retail energy market, and require greater scrutiny.



Our client is being charged excessive amounts of money for their energy bills. The client says there is a main meter he doesn't have access to and a sub-meter in his property. The client thinks he may be paying the bills for the other two flats in his building. The client has paid these bills but wants to know if he can claim it back if he was overcharged.



- Local Citizens Advice adviser

Landlords

As the property owner, landlords have several reasons to care about the energy supply and energy efficiency of their property, including making it attractive to prospective tenants, being responsible for bills where there are void periods where the property is empty, and in some cases, managing the supply directly. Despite this, our research showed landlords' engagement with energy supply and awareness of their tenant's rights was generally low.

Rights and responsibilities

Insight from the research workshops illustrated how landlords generally feel that energy supply in their properties is something they wouldn't directly engage with. This

is both because it is less effort for the tenant to do so, and means the landlord can avoid involvement in supply issues or billing disputes.

Landlords are unlikely to proactively suggest to their tenant switching supplier, meter type, or improving energy efficiency, but generally had no objection to tenants switching supplier as long as they were informed. In their view, responsibility for informing tenants about their rights fell to estate agents or managing agents.

Landlords were generally happy to agree to tenant's requests for a smart meter as they felt it was simply an aspect of the tenant managing their energy supply. However, there was more concern from landlords in the workshops over pre-payment meters, as the need for one indicated to the landlord that the tenant's financial situation was insecure. Landlords were also concerned that changing to a pre-payment meter constituted a material change to the property. More generally, landlords were likely to be more concerned if the meter installation requires a greater level of disruption or alterations to fixtures and fittings.

Landlords, similar to tenants, had low awareness of the rights of tenants to request energy efficiency upgrades, but some had paid for upgrades, particularly where their interests aligned in maintaining the condition and comfort of the property.



The tenants wanted new windows in the whole flat, and we thought we should really because it was creating condensation, we didn't want it to ruin the flat either. So that sort of pushed us to do it sooner rather than later.



- Landlord workshop research participant

External research³⁶ shows the challenge some landlords face in upgrading their properties themselves, for example to meet minimum efficiency requirements. This can be particularly challenging where the value of houses and rents varies significantly. In the North and Midlands, the estimated cost of retrofit to EPC C is over 15% of the property value – as opposed to as low as 2% in many Southern regions, with calls for action from the National Residential Landlords Association (NRLA) for local government to address this gap.

Void periods and unpaid bills

One particular challenge for landlords is debt from previous tenants and managing energy bills during 'void periods' where there is no tenant in the property. Several landlords participating in the research workshops had tenants leave their property with outstanding energy bills. As the tenants had a direct relationship with the supplier, the landlords did not consider themselves to be responsible for dealing with

the unpaid bills. There is a hassle factor in resolving these issues, with some landlords reporting the supplier tried to get them to pay the balance instead, but ultimately the issues were resolved.



I had a tenant who didn't pay any electricity for two years, which did cause quite a bit of a problem, but because they managed it themselves the debt was transferred to them. The electricity company tried to get it out of me, but I hadn't signed a contract so it was all fine in the end, it was just a bit of hassle as you can imagine.



- Landlord research workshop participant

Even where no energy is being consumed during void periods and the property is empty, standing charges mean energy bills continue to accrue, and without accurate opening and closing meter reads, apportioning responsibility for when energy was consumed can be challenging.

The ongoing digitalisation of the energy sector through the smart meter roll-out should mean these issues in the current market will be largely addressed by access to better data. Smart Energy GB has highlighted through recent research³⁷ that near real-time consumption reporting can help reduce disputes at the end of tenancies, and smart meters have the functionality to switch from pre-payment back to standard credit payments for different tenants.



Future retail market innovation

The future retail market presents both opportunities and challenges to tenants and landlords. The need to decarbonise, together with wider energy reforms, is driving innovation in the sector. New products and services, driven by better data, have the potential to significantly reduce consumption and cost, and to improve comfort for consumers.

However, new energy supply models also bring risks of complexity and exclusion. Complexity can arise when these models involve physical assets such as smart appliances and new heating options, or infrastructure like solar panels and smart electric vehicle chargers.

Previous Citizens Advice research³⁸ has identified barriers that can increase the risk of exclusion from these models. These barriers are related to a range of consumer characteristics, grouped under five categories:

- 1) the attitudes of the individual
- 2) their financial situation
- 3) attributes of the house they live in
- 4) their personal situation, and
- 5) their understanding and comprehension of technology or energy market issues.

The research specifically highlighted tenants as a significant group that risked exclusion, both due to the size of the group and the fundamental issues around the landlord-tenant relationship and the ability to make choices about their energy supply. The research recommended innovators should consider how incentives for new energy technologies can be split between tenants and landlords, and regulatory barriers to this should be minimised.

To take benefit from the opportunities created by reforms to how the energy industry works will ultimately need people to have control of their energy supply. In a few years prices could change every half-hour to incentivise use of cheap, green energy, but these signals need to be passed through to the person who can respond to and benefit from the lower prices - not to a landlord in control of the contract but not living there. A smart meter will be essential to participate in this pricing and will help unlock the benefits of smart technologies in the home. Consumers will also be required to make other changes in the home, for example if they buy an electric

vehicle, they may need a smart EV charger to benefit, but need the ability to install the right type of charger.

These requirements have also been highlighted by other industry experts. The Energy Systems Catapult published a review³⁹ in June 2021 focusing on how innovation could enable low income and vulnerable (LIV) consumers to participate in a smart, flexible energy market. One of the review's principal recommendations was to enable tenants to access smart energy products and services. This was based on the high number of consumers affected, and evidence that rental agreements are a "root cause" of holding back installation of smart meters, with many tenants unwilling to pursue a dispute with their landlord. The review's desired outcome was clear routes for private tenants to access smart energy services.

It is clear that those living in the private rented sector face particular barriers, as identified by our research and external analysis. These conclusions prompted us to explore in-depth with tenants and landlords their perceptions of three concepts of new energy market models and test a range of policy, regulatory and industry interventions that could maximise accessibility to the future retail market for tenants.

We tested **3 innovative services** which had characteristics which could particularly affect the relationship between tenants and landlords, to understand more about what benefits both groups saw and what barriers they might face in using them. In reality, products may emerge into the marketplace with overlapping characteristics, as well as other design features not included here.

1: Time of Use (TOU)

Currently the majority of energy tariffs charge the same amount regardless of when the power is used. The exception is Economy 7 or other similar tariffs, which are well established and typically provide cheaper electricity prices overnight. However, more advanced Time of Use (TOU) tariffs use different prices to encourage consumers to use electricity at times when more is available cheaply, for example due to a surplus of renewable energy. This can support a more flexible and sustainable electricity system where a greater proportion of electricity comes from renewable sources.

The Electricity System Operator has modelled⁴⁰ that under a "high" scenario, 20.7mn households without electric vehicles could provide 2.7GW of demand-reduction flexibility and 8.7mn households could provide 4.1GW of demand-reduction flexibility, totalling 6.8GW of peak demand reduction, equivalent to 10% of the GB 2030 system peak - lowering costs for consumers and the system as a whole.

Example - Octopus Agile⁴¹

Since 2018 Octopus Energy has offered its Agile tariff, which enables household customers to get access to energy prices that change every half-hour tied to wholesale prices and updated daily. The tariff features Price Cap Protect, which ensures consumers never pay more than 35p/kWh for electricity. The tariff requires a smart meter and has no exit fees.



2: Energy as a Service (EaaS)

While at a more trial stage in the GB energy market, the need to accelerate the decarbonisation of heating has led to significant industry interest in EaaS business models. These models can involve agreeing a household temperature and a plan to maintain that temperature room-by-room, rather than simply paying for units of fuel. This could benefit consumers by giving certainty of energy costs, for example those on fixed incomes, as well as guaranteed level of comfort. International examples often also involve upgrading the heating system or insulation level of a property.

Example - Beegy (Germany)⁴²

The company controls a household's energy system - such as solar PV and battery storage - and guarantees an energy service at a fixed monthly price. Beegy takes on risk around variations in the customer's consumption and technical performance. Consumers have a choice of a 20 year guarantee on all components.



3: Bundling

Bundling services together for a total cost is not a new concept, with many companies offering to combine utilities and other services. However, the potential to bundle new assets such as smart technologies, or other energy related services like a fixed number of electric vehicle charging miles opens up new opportunities. Previous Citizens Advice research⁴³ identified simple bundles where a new product is typically added to an existing core offer, or smart bundles where services are integrated and work together.

Example - Centrica Hive EV Charging⁴⁴

Centrica offers a smart electric home charger, combined with Hive EV Charging software which syncs with your energy tariff via the Hive app - combining physical assets, a technology platform and an offering of a custom energy tariff.





Future market perspective

Tenants

We introduced workshop participants to the three future retail market models through a variety of stimulus materials. We then asked their opinions on how they would interact with the services in their own lives, how the services would appeal to them, and challenges they could foresee particularly related to their status as tenants.

TOU

On initial impressions, tenants were positive about TOU tariffs. Many identified the potential for bill reductions through modifying their behaviour, with energy being one of their main monthly expenditures. The concept was also easy to grasp, as many tenants had experience or knowledge of Economy 7 tariffs.

Participants who particularly saw opportunity in the models were those that worked shift patterns meaning their usage could easily be shifted to “off-peak” times, and many tenants were in principle open to shifting their behaviour. Tenants in vulnerable circumstances identified themselves as more likely to be at home in the day and therefore more able to determine when their usage would be.

However, practical concerns included noise of using appliances at unsocial times, particularly as many lived in flats, and the degree of interference it would have in people’s lives. More broadly there was a strong demand for clear information on the expected savings from changing behaviour, and reassurance that the contract they signed up to wouldn’t change, for example demanding multiple shifts in behaviour over a short period of time.



“If you want to watch the television, you’re going to watch it six, seven to eight to nine in the evening. I mean you’re not going to put it on hold and watch it in the early hours of the morning. So, I think it’s asking a bit much. You’ve really got to box your life around for this haven’t you really.” Tenant



- Tenant research workshop participant

While people in HMOs weren't well represented among participants, there are likely to be challenges for households with multiple adults in understanding and reacting to price signals due to more diffuse control and less flexibility over usage.

EaaS

EaaS was for many of the tenants participating in the workshops an aspirational vision. The concepts of fixed outcomes from a comfortable temperature being maintained at a fixed price were attractive, with certainty on financial outgoings a major positive. The model also potentially coming with greater energy efficiency upgrades or a new heating system was also appealing, particularly to tenants in vulnerable circumstances.

However, as the concept was explored, concerns emerged. The issue of whether buying energy this way would require a longer term contract was a major issue, as many tenants couldn't guarantee how long they would be in a property, or were only planning being resident in the short term, therefore a contract of more than 12 months was very unattractive. Another question was how "ownership" of a longer term agreement would transfer if they left the property - for instance, would a new tenant have to commit to following the agreement.

Many tenants, but particularly those in vulnerable circumstances, also wanted guarantees that this form of energy offering would save them money - the idea of a fixed outcome only being desirable enough to consider changing if it could also guarantee a saving.

More broadly, while a fixed outcome appealed, tenants were also interested in how much flexibility this would offer - for example if their schedule or needs changed, being able to easily buy more "warm hours".

Bundled services

The appeal of bundled services to tenants lay in the potential for cost savings and simplicity. Potential benefits of reduced energy bills were enhanced by the model also appearing to be more "future focussed", with technologies such as EV chargers and miles included in an offer.

However, for the benefits of bundling to be realised, tenants wanted transparency on how the different cost elements of the bundle were constituted, to be sure they were on a good deal. One monthly payment covering a number of different services meant the potential for tenants not knowing what they were paying for each service, making it difficult to guarantee value for money.

Similar to EaaS, tenants were also concerned that if a bundle came with a long contract length, this would be unappealing due to not being able to guarantee they would still be in the property.

In particular, bundled services were the least popular for tenants in vulnerable circumstances, who found the complexity of the model a barrier, and were fearful of the need for an ongoing level of engagement being required from them.

Landlords

Landlords were similarly introduced to the concepts and principles of the future retail market models, and encouraged to consider them from the perspective of their current tenants - whether they'd support their usage, or whether they could create challenges. Overall as with the current energy market, landlords in principle often had no objection to tenants themselves choosing these services, but interest in taking them up themselves or enabling them on behalf of tenants was generally low.

TOU

One immediate recognised barrier for landlords in having a TOU service in their properties was that if optimisation required expensive new technology such as smart appliances, they would not want to purchase this themselves until an asset required replacing, with many of these being on fixed replacement cycles.

Landlords had no objection to tenants signing up for a TOU deal, but wanted it to be easy for any such deal to start and stop as tenants moved in and out of properties. The time and hassle factor was significant, and any TOU commitment should ideally be easy to switch away from.

A particular opportunity landlords identified was tenants charging electric vehicles in off-peak hours, taking advantage of cheaper energy prices. However, there was acknowledgement among many of the landlords in the workshops that their own properties may be unsuitable for electric vehicle charging, lacking off-street parking, with other research⁴⁵ confirming this as a significant barrier.

EaaS

Landlords were reluctant to have such a service in their own name, given they were resistant to paying for energy during void periods. However there appeal in properties being upgraded for "free", if this was part of the offering and paid through bills. Landlords were aware overall of the need, driven by Minimum Energy Efficiency

Standards, to upgrade their properties, and this model offered a potential route for them to use.

Landlords were willing for tenants to sign up to an EaaS offering themselves, if this met their needs. Landlords thought the greatest potential for EaaS could be in new build properties which would already have improved levels of insulation and energy efficiency measures, with EaaS potentially included from the beginning in a new development.

However, landlords agreed with tenants that a contract much longer than a year was too long, with five years unacceptable. Landlords' concerns also mirrored tenants in that they thought prospective tenants might be put off signing up for a property if it meant they had to take on an existing EaaS contract.

Bundled services

Overall, landlord participants felt that bundled services would require more engagement and time than they wanted to invest and most landlords would prefer to be as hands off as possible.

The positives landlords saw in bundled services being chosen by their tenants centred around the potential for simplicity arising from the model and the combination of different elements. However, there were concerns about having to replace existing assets.



“You’d have to either sell them [appliances] or store them somewhere, wouldn't you? And then what are you going to do, what everyone else has said, when that tenant then moves out, are they going to take that washing machine and dishwasher with them and then you've then got to replace the white goods again because the next lots of tenants might not want to do the same thing? It sounds like a minefield, to be honest.”



- Landlord research workshop participant

For bundled services to be appealing, more information would be needed on the need to buy new appliances, and what would happen to these if the tenant left or if a new tenant didn't wish to keep the same energy contract or supplier. There were particular concerns about assets being used only for a short period of time and the wastage and environmental impacts this would have. Another issue was seen as the potential for contract lengths to be too long and therefore being impractical given tenant turnover.



Overall themes

Common themes across the discussions were the need to ensure future retail energy market offers are more attractive to tenants, with the dominant consideration being contract length and needing the freedom to move between offerings as tenancies change.

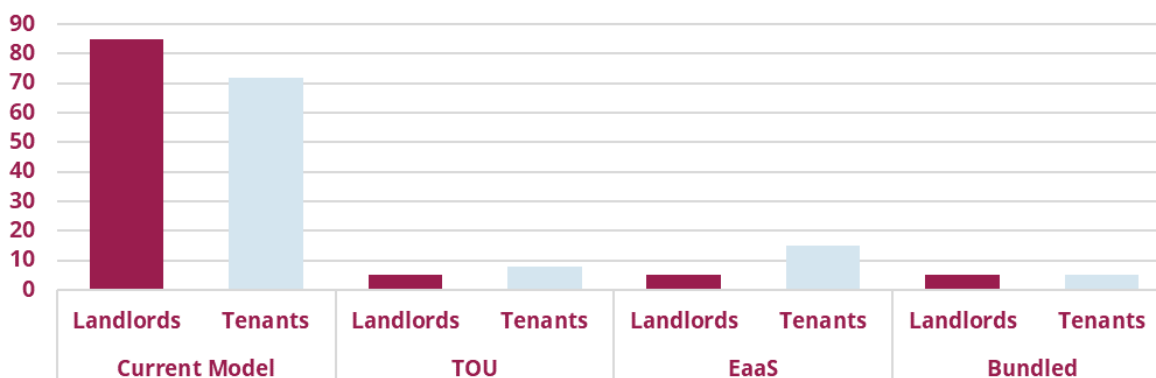
Both tenants and landlords would like to see overall contract lengths of 6-12 months, which matched the length of tenancy contracts they often signed up to. This could avoid exit fees or penalties associated with a service for moving out of a property before the contract term ends.

There are parallels in this to other sectors, with recent research⁴⁶ from the Quality of Life Foundation showing renters are dissatisfied in the broadband market, showing renters were nearly twice as likely to describe their connection as only average or unreliable than those who own their own home, with dissatisfaction also over the contract length needed to secure favourable prices.

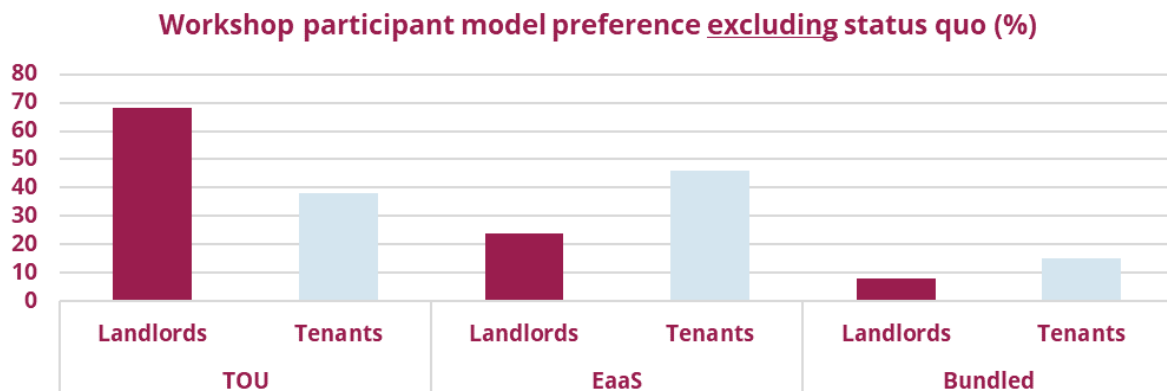
Another overall theme was the need for certainty on outcomes - for something to be worth considering engaging with, tenants feel the need to be confident of savings or comfort benefits upfront. Tenants suggested that the increased use of technology and data in particular could be beneficial, with use of smart data helping them identify which supplier was cheapest, or which models they would most benefit from.

A survey of participants after the workshop demonstrated the challenges industry and policy makers face in making future retail energy propositions enticing to tenants and landlords, with a clear majority currently favouring the present energy model, though there was a higher proportion of tenants who would choose a future energy model.

Workshop participant model preference including status quo (%)



Excluding the current model, there was a preference among landlords for TOU and tenants EaaS, with bundled services the least popular among both groups.



Once the deliberative workshops were concluded, both landlords and tenants were invited to attend follow-up focus groups designed to test different changes, ranging from industry interventions to regulatory reform and legislative action.

The recommended outcomes are focused on interventions that both tenants and landlords were likely to find desirable and practical, and have been refined through stakeholder dialogue.



Recommended outcomes

Control

Tenants must be able to take control of their energy supply, and unlock the support they need

It is an essential requirement of unlocking support now and the benefits of innovation in the future that renters can opt to control their energy supply if they want to. This could take the form of a new “right to supply”, embedded in the supply licence, with suppliers taking further steps to understand their customer’s circumstances including if they are a landlord or tenant. This would mean that where a tenant is resident in a property, and wishes to pay the bills, the landlord must pass over control of the supply.

Where energy had previously been included in the rent, then there would need to be a mechanism to ensure the rent level is reassessed. This could take the form of an obligation on landlords to lower rent by an equivalent amount where tenants start paying for energy, facilitated by changes in the government’s forthcoming Renters Reform Bill, which will also require landlords to register and sign up to an Ombudsman to arbitrate disputes.

Maximum Resale Price rules should be future proofed to include greater transparency to enable tenants to challenge their landlord if they are on an expensive energy tariff. Rules on the cost of sub-metering should be added to prevent these being passed on, and to entirely ban prepay sub-meters where there are permanent domestic residents, given the lack of any assessment of whether it is a safe option for residents and lack of support available if they can’t top up.

Policymakers should also consider whether landlord/tenant energy resale should be prohibited entirely, with exemptions only where absolutely necessary due to the nature of the premises. This would ensure access to a choice of energy tariff that meets tenant needs and prevent tenants facing the costs of sub-metering.

Taken together, these reforms would ensure energy control means that tenants could more easily access support schemes such as Warm Home Discount and the Priority Service Register, which are designed around the bill-payer. Recent schemes designed to support the cost of living have also demonstrated the importance of this, given

there are scenarios where landlords will receive the £400 Energy Bill Support Scheme but without any legal requirement or enforcement apparent at this stage to ensure they pass the support on. Renters also need to be factored into any future policy design, for example if the opt-in/opt-out collective switch proposals were revived we've previously argued⁴⁷ for this scheme to be specifically targeted at the needs of renters given factors such as tenancy length and lower observed switching levels. Control will also mean tenants can benefit from the lower costs, comfort and technology that innovative future new energy retail models are expected to deliver.

As set out in this report, smart meters are also essential to get the most value from future energy services. BEIS should consider introducing a backstop provision to the smart-meter rollout that tenants should also be able to explicitly have a smart-meter installed without the landlord's consent. This should be kept under review if the PRS continues to lag other occupancy types in installations, particularly from 2025 onwards as the current rollout framework draws to an end.

The research revealed that tenants are particularly concerned about how their energy usage data - for example from a smart meter or smart appliances - might be shared with their landlord. There was consensus that any future energy market models should ensure that tenants are in full control of their contracts, data, and any sharing of data. Approaches to achieve this should be clear, consistent and easily available to reassure both tenants and landlords. Tenants also welcomed clear guidance on how to keep control of their data and how it is shared, while landlords welcomed the setting of responsibilities so that they were not expected to be more involved in a tenant's energy supply than they wanted to be, and avoiding perceptions that they may be "snooping" on their tenants.

In the short term, suppliers should ensure half-hourly data is only collected from smart meters where the resident controls the energy supply and has opted to share that level of data, with only monthly information collected if the landlord controls the account. Where landlords find they have greater data access than needed, they should proactively contact suppliers.

Knowledge

Tenants and landlords must know their rights and obligations

It is apparent from the workshop research and more broadly that both tenants and landlords have a knowledge gap over energy rights, as well as more broadly their obligations to each other.

Some awareness was recognised of “how to rent” guides that had been provided at the start of the tenancy, but this had had a low level of engagement. The concept of a new easy to access information source - potentially in the form of a digital portal - where rights and responsibilities are clearly defined would help tenants give them ongoing clear information about what to do and who to contact if they had any issues or questions on energy issues.

This information could be provided by government, building on initiatives to provide a model Assured Shorthold Tenancy⁴⁸ contract by DLUHC, or by a third-party advice provider. This up-to-date information provision could be aligned with the placing of obligations on landlords to be registered. In the research both tenants and landlords strongly supported a registration service, which could also operate to disseminate information on changes in legislation to landlords.

Citizens Advice previously outlined how a national landlord and property register could work in practice⁴⁹. This was on the basis that tenants in the private rented sector must have access to enough information to be able to make informed decisions, as in other consumer markets. We have also highlighted redress needs around disrepair, which could also extend to failures in energy, for example failing to meet minimum energy efficiency standards.

The Queen’s Speech pledged legislation to introduce a mandatory registration scheme and ultimately require all private landlords to belong to a redress scheme, to drive up standards in the private rented sector - offering the vehicle through which to achieve these changes.

Protection

Councils and other enforcement agencies must use new data to drive better outcomes

While better knowledge of rights is an essential foundation, enforcement must also follow to ensure that regulators and alternative dispute resolution providers can drive good outcomes for consumers in the sector where poor practice continues.

Local authorities should use inspection functions, with central government either providing greater ringfenced funding to ensure energy efficiency and other minimum standards are being maintained across the private rented sector, or enabling and giving guidance on how local authority enforcement to be carried out on a cost-recovery basis, as recommended by previous ACE research⁵⁰. The recent BEIS MEES consultation recognised these challenges around resourcing enforcement, and the potential of data to be used as a more powerful enforcement tool, which a

national landlord registry would help unlock. As outlined above, there should also be an expanded role for alternative redress where a tenant cannot resolve an issue particularly concerning management of the property, its energy supply and physical infrastructure such as charging points.

Flexibility

Energy service providers must be able to adapt their energy offering to changed circumstances of tenants and landlords

A consistent issue raised by both tenants and landlords was that given the insecurity and short-term nature of many tenancies, signing up to any service with a long contract length beyond their Assured Shorthold Tenancy term length - typically 12 months - is not feasible.

This is an issue which the energy industry and technology providers can take leadership on now, by designing new energy services that don't involve prohibitive lock-in terms or steep exit fees. Existing supply licence protections mean tenants can cancel a tariff exit-fee free within at least the last 49 days of the contract⁵¹. Any service delivered through an energy tariff would also already be subject to rules that state that any termination fees must be proportionate; and must not exceed the "direct economic loss" including the costs of products included in a bundle⁵². Any offer falling outside the strict terms of the energy supply licence could take these protections as a baseline on which to design their proposition.

However, given the scale of this barrier to uptake for the PRS, and the importance of engaging this segment of consumers, then a case may be made for further action by regulators if low-levels of take-up of future energy services by tenants are seen, for example ensuring exit fees cannot be added to an energy service contract for tenants.

Outcomes

Tenants and landlords must be able to know if they opt-in to a service, it will achieve better outcomes

As a group who engage less with the current energy market than other occupancy types, tenants must be given the confidence that when they make an active choice, they will see the outcome they expect.

BEIS has already pioneered the concept of an energy tool calculating potential saving for Time of Use tariffs⁵³. This project built on smart meter data and smart tariffs

already in the market. Workshop tenants were very positive about this concept of being able to find out in advance how much they could save on their energy bills.

We would like to see this approach being extended to other energy business models as they enter the market and become more prevalent. Integrating - with consent - consumer's actual consumption data and outlining the consequences of behaviour shift will build confidence that engagement will lead to improved outcomes, rather than relying on estimates. We've also called for a new Consumer Duty⁵⁴ in energy, similar to one being introduced by the FCA for financial services. This would upgrade consumer protections to make companies responsible for ensuring products and services deliver their promised outcomes.

Cost

Ways must be found to overcome the initial cost of new energy technologies

Given the greater financial insecurity of tenants compared to owner-occupiers - a status quo which has been exacerbated by the COVID-19 pandemic⁵⁵ - the upfront cost of many technologies such as solar panels, domestic batteries, EV chargers and smart appliances is a barrier that will affect tenants in particular.

The workshop revealed that tenants generally favour the landlord installing any new technology, to ensure that repair is possible when failures arise. Workshop participant landlords were overall open to being willing to purchase new equipment, assuming they would be given some kind of incentive. Although grants were preferred, landlords were also interested in tax incentives. Longer term, in some areas it will be essential for landlords to provide equipment, such as electric vehicle chargers where off-street is available with the property, and mandates may ultimately be required.

Grant-funded insulation for low income households is already covered by the Home Upgrade Grant, with this available whether a consumer owns or privately rents a home. Depending on the eligibility of the tenant, landlords can also install measures under the Energy Company Obligation (ECO). The government has pledged to incorporate smart technologies across relevant fuel poverty policies including ECO⁵⁶, with this offering a pathway towards ensuring eligible tenants could access smart energy-saving technologies under a future iteration of the scheme.

Overall, it will be essential for policymakers to design incentive schemes for smart energy technologies so that they are widely accessible, including by testing policies against the needs of tenants.

Methodology

The central insights supporting this report are drawn from the [Private Rented Sector Barriers To Energy Market Engagement study](#) commissioned by Citizens Advice and completed by Impact Research.

Deliberative events were hosted in February 2021 with separate representative groups of landlords and tenants to gain views on current energy market issues, introduce future market concepts and understand perceptions and potential barriers.

Reconvened focus groups with mixed groups of landlords and tenants were hosted in March 2021 to gain input on how potential policy, regulatory and industry-led changes could address concerns and improve accessibility.

Tenants and landlords completed a pre-and post task to inform participants before the events, and gain further insights after their completion.

Due to the ongoing COVID-19 pandemic, all research was completed using video-conferencing software.

The full study is published separately on the Citizens Advice website.

Case studies are drawn from the consumer service and local Citizens Advice. The consumer service gives advice on all consumer issues, with specialist advice on energy and post issues. All names asterisked have been changed and other identifying information has been anonymised. Supporting information is derived from desktop research and sources listed in the references section.

We are grateful to the broad range of stakeholders who have provided insight to support this project including the NRLA, Generation Rent, ADE, Smart Energy GB, Energy Systems Catapult and BEIS.

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