

*inclusive policy, social development*

**GK** consulting



## **Strengthening and streamlining energy advice and redress**

**An independent review of the adequacy of energy  
advice and redress - full report**

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Appendices and a standalone executive summary are also available at [www.citizensadvice.org.uk/knowning-who-can-help](http://www.citizensadvice.org.uk/knowning-who-can-help)

## Chapter 1

# Introduction

*This chapter sets out the review objectives, the approach taken and the key limitations on the review.*

*The review's primary objective was to identify the changes needed to the existing regulatory and delivery framework in order to deliver optimal energy advice and redress to domestic consumers (particularly vulnerable consumers) and micro-business consumers in Great Britain.*

*Because the commissioning organisation – the Citizens Advice Service – is itself an advice provider, a number of measures were put in place to ensure the review was robust, objective and independent. Of key importance was the development of an assessment framework, along with the collection of data to evidence performance against this.*

*The review was limited by the non-disclosure of key information to the reviewer and weaknesses in publicly available information, in spite of these services being funded by taxpayers and consumers. Nonetheless, the review:*

- provides a robust evaluation framework that can be applied to help drive future improvements in advice and redress provision in energy as well as other sectors*
- provides a comprehensive, aggregate view of the performance of both energy advice and energy redress in Great Britain; and*
- secures sufficient evidence to indicate the improvements needed to the regulatory and delivery framework to secure adequate energy advice and redress.*

## 1.1 Objectives

The Consumer Futures team at Citizens Advice and Citizens Advice Scotland wish to work with stakeholders to achieve optimal advice and redress provision for energy consumers in Great Britain. To support them in this goal, they commissioned GK Consulting to:

- describe all relevant organisations involved in energy advice and redress provision, including details such as: the type of advice/redress provided; use of cross-referrals; volumes of consumers using the services; how consumers' experiences are captured and reported
- conduct an independent review of the adequacy of this energy advice and redress provision in the light of current and forecasted future consumer needs, with particular regard to:
  - potential overlaps, gaps and coordination in provision, capturing differences between England, Scotland and Wales
  - the needs of domestic, micro-enterprise and vulnerable consumers; and
- make recommendations regarding the changes needed to the regulatory and delivery framework to deliver improved support for energy consumers.

The review exclusively considers provision that is funded by:

- taxpayers; or
- consumers as a result of a Government mandate.

## 1.2 Approach

Consumer Futures has previously commissioned other reviews of energy advice and redress provision, the latest being in 2011.<sup>1</sup> In order to deliver maximum value for money, this review focuses on key developments since these reviews were completed, taking a different evaluation approach with a greater emphasis on recommended changes.

Since previous reviews were completed, Consumer Futures has become part of Citizens Advice and Citizens Advice Scotland (hereafter referred to together as 'the Citizens Advice Service') – a policy-influencing organisation and advice provider with commercial interests in the advice environment. Given this context, in order for this work to have credibility with external stakeholders and to obtain the necessary data, it was important to develop an approach that was robust, objective and independent. This entailed the following:

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<sup>1</sup> Centre for Consumers and Essential Services, University of Leicester (2011), [Making the Connection: strengthening the advice, complaint handling and redress framework](#); Centre for Utility Consumer Law, University of Leicester (2007), [Consumer vulnerability and the energy sector: vulnerable consumers and complex complaints](#).

- A combination of literature research and asking key providers and stakeholders in the sector to identify the full array of advice and redress organisations in scope for this work.
- Developing a robust assessment framework from a review of best practice in advice and redress provision. This was used to evaluate current provision and test recommended changes.
- Relevant organisations were requested to complete a standardised information request; the data requested would serve to objectively determine the performance of individual organisations and also the sector against the assessment framework.
- Key stakeholders in the sector were interviewed to capture their views on the effectiveness of current sector provision, its fitness for the future and any changes they would recommend (see Appendix 5 for organisations interviewed).
- Participants' detailed responses were not shared with the Citizens Advice Service – it only has access to published data.
- Contributors were asked to verify the accuracy of information about their organisation as it appears in the final report.
- Contributors also had the opportunity to comment on the conclusions and recommendations in the report.
- The views expressed are those of GK Consulting based on the evidence acquired, not of Citizens Advice or Citizens Advice Scotland.

The research for this report was completed in early March 2015.

### 1.3 Definitions

For the purposes of this project, advice includes first-tier and second-tier advice. First-tier advice often points the way towards further information or answers practical and frequently asked questions. Second-tier is detailed advice for individual consumers about their specific problems. Information and education, including via web channels, are out of scope.

Relevant organisations were those that have a primary responsibility for energy. The Financial Services Ombudsman and the three Public Services Ombudsmen serving England, Scotland and Wales will all touch on energy issues. For example, the Financial Services Ombudsman tackles some financial aspects of energy transactions. The Public Service Ombudsmen may capture energy issues if a local authority manages the installation of energy measures. However, because they do not have a primary role in energy, we have not reviewed their work in detail but do acknowledge that they add to the array of organisations that consumers may feasibly need to engage with.

Micro-business has a particular legal definition of pertinence to Citizens Advice.<sup>2</sup> Consumer Futures also operated with a definition of [vulnerable consumers](#) as 'people who cannot

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<sup>2</sup> The definition of micro-business is taken from section 12 of the *Consumers, Estate Agents and Redress Act 2007* (<https://www.ofgem.gov.uk/ofgem-publications/57726/cd-cf-non-dom-discon-vulcon-referral-pathway.pdf>) and updates in the *The Gas and Electricity Regulated Providers (Redress Scheme) (Amendment) Order 2014*. A business with: (a) an annual consumption of (i) electricity of up to 100,000 kwh or (ii) gas of up to 293,000 kwh; **or** (b) (i) fewer than 10 employees (or their full time equivalent); and (ii) an annual turnover or annual balance sheet total not exceeding €2 million.

choose or access essential products and services which are suitable for their needs or cannot do so without disproportionate effort/cost/time'. However, for this project, organisations self-defined these consumer groups as this revealed more about the regulatory and delivery framework's responses to such groups.

## 1.4 Limitations

In spite of the Citizens Advice Service using its powers under the *Consumers, Estate Agents and Redress (CEAR) Act 2007* to request the data for this project, a significant number of organisations were unable to respond as a result of commercial and political sensitivities or time pressures. Protection of commercially sensitive data was offered. It was also not possible to secure interviews with Ofgem or the Scottish or Welsh Governments. The proximity of the work to the general election is likely to have been a contributing factor.

The reviewer was required to draw on publicly available information for non-responding providers. As the later sections reveal, the data available in the public domain is, on the whole, quite lean and led to challenges in aggregating or comparing organisations. However, these deficits in publicly available information are themselves an important finding.

The requirement for advice or redress provision to be funded by Government or mandated also excludes advice from organisations that sell further goods and services, such as energy efficiency or micro-generation measures. This includes, but goes beyond, Green Deal provision. To achieve a full picture of the adequacy of provision, such types of advice need to be taken into consideration.

In spite of these limitations, the review has succeeded in:

- developing a robust evaluation framework that can be applied to help drive future improvements in advice and redress provision in energy as well as other sectors
- providing a comprehensive, aggregate view of the performance of both energy advice and energy redress separately in England, Scotland and Wales, as well as an aggregated view of performance across Great Britain
- securing sufficient evidence to indicate the improvements needed to the regulatory and delivery framework to deliver adequate energy advice and redress.

## Chapter 2

# Key policy developments

*This chapter sets the context for the evaluation of current provision by considering the policy drivers behind key recent developments in advice and redress provision. It considers both consumer affairs and energy sector-specific policy drivers of the British, Scottish and Welsh Governments.*

*In all countries, over the last four years, we have witnessed a recognition of the importance of advice as a means of improving markets, driving economic growth and achieving climate change objectives. Governments have responded by seeking to consolidate and better coordinate the provision of advice to consumers, to enhance both its quality and cost-effectiveness.*

*In Scotland and Wales, recent changes in the advice delivery framework have focused primarily on energy efficiency advice, with provision split between domestic and non-domestic consumers although using similar delivery frameworks. The delivery of advice to vulnerable energy consumers has remained unchanged, either because this has been deemed effective, has yet to be subject to review or because some elements are overseen by the British Government.*

*In Great Britain, the dual policy drivers from consumer affairs and energy have led to simplification efforts being focused on general advice provision, and so the impact on energy advice is less marked. Simplification of general consumer advice has been achieved and a new cross-sector complaints referral helpdesk is under development, which will be part of this service. Energy advice has a more tangled path. Some provision has been integrated within a general consumer advice line, a more specialised advice service has been set up for vulnerable energy consumers, and a specialist energy advice service has been launched that advises on energy efficiency and signposts to financial support. A coordinated network of face-to-face energy advisors has also been set up. In Scotland and Wales, clear attempts to streamline energy advice provision have been made.*

*Redress provision has also changed, with the Energy Ombudsman being placed on a statutory footing, a new Green Deal Ombudsman (GDO) being set up and Government becoming more formally involved in what was the voluntary complaints scheme of the Micro-generation Certification Scheme (MCS). This is in spite of the Cabinet Office and BIS stating a preference for a single ombudsman. Driven by a European Directive, there were also plans to set up a residual alternative dispute resolution (ADR) scheme to plug the gaps in the existing provision for this. This was proposed to operate as an umbrella model*

*encompassing existing providers, but BIS are no longer procuring this as the market has responded.*



## 2.1 The roles of British, Scottish and Welsh Governments

Consumer affairs policy is currently a reserved function of the British Government, meaning that many of the structural changes in advice and redress provision are driven by the Department for Business, Innovation and Skills (BIS). Similarly, much of energy policy is also reserved and so the policies of the Department of Energy and Climate Change (DECC) are also pertinent to Scotland and Wales, although policies relating to the environment are devolved to both nations. However, both countries have additional initiatives, and discussions about the devolution of relevant powers are underway. These are considered separately.

## 2.2 Consumer affairs policies across Great Britain

The *CEAR Act 2007* came into effect on 1 October 2008 and changed the landscape of energy advice and complaints handling. The new arrangements consisted of four key elements:

1. New complaint handling standards were introduced for energy companies.
2. The **Energy Ombudsman** became the only approved statutory ADR scheme, with the ability to settle disputes between consumers and their energy suppliers.
3. Consumer Direct (a national generic consumer helpline run by the Office of Fair Trading) took over Energywatch's responsibility for providing first-tier advice, as well as referring and signposting cases to other organisations.
4. Consumer Focus, created by the CEAR Act, had responsibility for handling cases from vulnerable energy consumers within its [Extra Help Unit \(EHU\)](#). This has now moved to Citizens Advice Scotland, which manages the unit on behalf of the Citizens Advice Service.

In April 2011, the British Government published its consumer strategy document, '[Better Choices: Better Deals – Consumers Powering Growth](#)'. This set out how Government can help to support and empower consumers to help drive competition and growth, and send signals via the market mechanism to businesses that best serve their needs. Ensuring consumers have the necessary information, advice and confidence to exercise their rights is a key part of this strategy.

Shortly after, BIS published a [consultation](#) on the institutional arrangements for the provision of consumer information, education, advocacy and enforcement. This review of the consumer landscape sought to contribute to the delivery on the Government's 2010 Queen's speech commitment, that '*the cost of bureaucracy and the number of public bodies will be reduced*'. The proposed rationalisation of the consumer landscape was also designed to help deliver the consumer strategy by:

- reducing the complexity of the consumer landscape and associated public confusion about advice, advocacy and enforcement bodies

- strengthening the frontline of consumer empowerment and protection so that enforcement was more consistent
- delivering consumer services more cost effectively and consistently.

The reforms, announced in April 2012, included:

- streamlining public funding by focusing current resources allocated to consumer information, advice and education on the Citizens Advice Service
- ceasing funding of the Office of Fair Trading's consumer code approval scheme
- transferring most of the powers and functions of Consumer Focus to the Citizens Advice service.

Of particular note was that the stated intention that:

*'Over time almost all relevant central government resources for advocacy, information and advice and enforcement will transfer to Trading Standards and the Citizens Advice service, which have high recognition and trust among the public.'*

In April 2012, the **Citizens Advice consumer service** (hereafter referred to as 'the consumer service') took over responsibility for providing consumer advice and information from Consumer Direct. In April 2014, Citizen's Advice and Citizen's Advice Scotland took on the role formerly undertaken by Consumer Focus to provide a statutory consumer watchdog function for energy consumers.

Another key development is the *European ADR Directive*, which came into force in July 2013. It obliges the UK to ensure that, by July 2015, ADR is available for **all** disputes concerning contractual obligations between a consumer and a business, and that certain operational rules are adopted by ADR schemes. Following a recent [consultation](#), BIS [decided](#) to leave the existing landscape, as it already operates well, and initially proposed setting up a residual ADR scheme to plug the gaps where coverage is limited, in order to meet the UK's obligation. This residual scheme would have operated as an umbrella model, providing clear access to consumers and helping to raise levels of awareness and uptake. Energy and the Green Deal were specifically cited as being outside of the [scope](#) of this scheme and would continue to co-exist under the umbrella system, although current energy redress providers will need to demonstrate that they follow the operational rules set by Europe and BIS. However, since the BIS proposals were set out, the Retail Ombudsman and Ombudsman Services have set up schemes offering this service and therefore BIS has decided not to tender for a provider as it considers the market response to be sufficient. It will, however, continue to monitor the market to ensure comprehensive availability of ADR services.

Further changes being implemented as part of the *ADR Directive* will be to:

- create and fund a consumer **complaints 'helpdesk', to be provided by Citizens Advice** alongside their existing consumer service, where consumers can go for assistance and advice when attempting to resolve a dispute with a trader

- legislate to allow regulators (in this case Ofgem) to act as competent authorities, overseeing compliance in their sectors and building on their existing relationships with statutory ADR providers.

Further changes are also anticipated. Even though there was little [evidence](#) provided in support of a single ombudsman model, most respondents to the consultation supported the idea of the simplification of ADR. This simplified approach is already endorsed in the [Cabinet Office April 2010 guidance on Ombudsman Schemes](#), which advocates a single ADR scheme within a sector. [BIS](#) has proposed to further investigate whether the number of ADR bodies operating in each sector should be limited, how far to harmonise the type of ADR on offer to consumers, and to explore whether it should be compulsory for businesses to use a residual scheme. [BIS](#) therefore plans to continue to consult with stakeholders and to carry out further work to assess the costs, benefits and impacts to inform its decision on any future simplification. However, this plan may be amended, given the change in direction on residual scheme provision.

Currently under way is the consolidation and simplification of consumer law. The *Consumer Rights Act* is designed to set out a framework that consolidates in one place the key consumer rights covering contracts for goods, services, digital content and the law relating to unfair terms in consumer contracts. The Act also introduces easier routes for consumers and small and medium-sized businesses (SMEs) to challenge [anti-competitive behaviour](#) through the Competition Appeal Tribunal (CAT). The [Federation of Small Businesses](#) is lobbying for small businesses to be treated in a similar way to consumers and so given similar status in energy markets. It wants general consumer protection extended to micro-businesses in line with the *Consumer Rights Directive* and *Consumer Rights Act*.

## 2.3 Energy policies across Great Britain

[BIS](#) policy has secured a statutory Energy Ombudsman but other developments in UK energy policy have led to further changes in redress needs and provision in the sector, namely micro-generation strategy and the Green Deal.

The industry-led **MCS** primarily oversees the certification of installers and technologies used to produce electricity and heat from renewable sources, but also provides information on micro-generation installers and a complaints process. [DECC's June 2011 \*Micro-generation Strategy\*](#) seeks to expand the use of micro-generation schemes and makes MCS a key delivery partner in improving advice and information provision to consumers, communities and businesses on micro-generation. This is under-pinned by a [tripartite agreement](#) between [DECC](#), the MCS administrator and the MCS service company. This in effect turns a self-regulatory redress scheme into one that has Government oversight (a co-regulatory scheme).

The [Energy Act 2011](#) includes provision for the Green Deal – the British Government's flagship energy saving plan to transform the country's homes to make them warmer and cheaper to run. It enables homeowners to arrange energy efficiency measures, which are paid for through savings in their energy bills. The ombudsman landscape for the Green Deal needs to cover financial aspects (in the remit of the existing Financial Ombudsman Service),

aspects relating to the collection of the Green Deal charge (covered by the existing Energy Ombudsman Service as part of its role dealing with energy billing and collection) and where complaints have not been resolved by Green Deal Providers. DECC consulted on extending the remit of the Energy Ombudsman to incorporate Green Deal Provider complaints. However, this would have entailed an amendment to primary legislation, changing Ofgem's role. Because of timing and other considerations, DECC created a dedicated **GDO**. Following a competitive tender, DECC appointed Ombudsman Services in June 2012 as the ombudsman and investigation service for the Green Deal.

The *Energy Act 2013* gave Ofgem power to make a '**consumer redress order**' to breaches by gas or electricity companies. These can be used where Ofgem considers a company has breached its licence and one or more consumers have suffered loss or damage, or been caused inconvenience. The order may require a regulated person to pay compensation to affected consumers and to terminate or vary any contract with the affected consumers. This new power has the potential to resolve cases that otherwise may have reached the ombudsman.

Following Ofgem's Retail Market Review, in December 2012, the Energy and Climate Change Select Committee conducted an [Inquiry into Consumer Engagement in the Energy Markets](#). The Committee stated:

*'We are concerned by the evidence we have received that consumers do not know who to trust to give them reliable, independent advice and information about energy matters. Given the need we have outlined to help consumers to reduce their energy consumption and costs, we conclude that there is a case for a single, dedicated organisation to advise consumers on energy matters. We recommend that DECC should consult with relevant stakeholders about the possibility of establishing an independent organisation tasked with providing consumers with independent energy advice. The ultimate aim should be to have a single, impartial, dedicated service that consumers can trust as their first port of call with any query about energy matters. Ideally there should be a single helpline and a single website so that there is no confusion among consumers about where they should go for advice.'*

The [Government's response](#) agreed on the need for trusted consumer advice in energy saving matters. They cited two advice services as delivering this – the **Energy Saving Advice Service (ESAS)**, covering England and Wales, and the Citizens Advice consumer service.

ESAS – a telephone and email advice service – went live in April 2012, tasked with delivering information around Government energy saving schemes and incentives, and most importantly, the Green Deal and Energy Company Obligation (ECO) in England and Wales. While principally providing advice on the installation of energy efficiency and low-carbon measures, it refers or signposts consumers to financial support (such as the Affordable Warmth element of the ECO, the Warm Homes Discount (WHD) or Cold Weather Payments – all Government-backed schemes to lower energy bills). A Government campaign on the Green Deal has sought to promote awareness of ESAS.

Prior to the establishment of ESAS, DECC funded energy saving advice in England and Wales through grant arrangements with the Energy Saving Trust (EST) and the Carbon Trust (CT). The service was delivered through a network of local advice centres. Following the

announcement of the DECC Delivery Review in May 2011, grant funding to EST and CT to deliver these advice services ceased at the end of the 2011/2012 financial year and further delivery was opened up to competitive tender.

In May 2013, DECC published the [response](#) to its consultation on *Ensuring a Better Deal for Energy Consumers*. This also considered advice provision but, unlike the Select Committee inquiry, only for vulnerable consumers. DECC is of the view that vulnerable consumers need extra help and advice to engage with the energy market and to give them the confidence to take decisions that will reduce their bills. It has therefore funded the creation of the [Big Energy Saving Network \(BESN\)](#), a coordinated network of third-sector organisations dedicated to provide face-to-face outreach advice for vulnerable consumers with the support of trained energy advisors. DECC has committed to evaluate the effectiveness of this network and develop options for future advice provision, taking into account the impact of Ofgem's Retail Market Review tariffs and information reforms.

[The Gas and Electricity Regulated Providers \(Redress scheme\) \(Amendment\) Order 2014](#) changed the definition of micro-business with the intention of increasing the numbers of micro-business consumers able to utilise a redress scheme.

In March 2015, Ombudsman Services were appointed to manage [Heat Trust](#) as the ADR scheme for district heating schemes, building capacity for responding to associated problems.

## 2.4 Welsh policies

The [Government of Wales Act 2006](#) resulted in the devolution of energy advice and support to Wales.

The Welsh Government's July 2010 [Fuel Poverty Strategy](#) cites financial and energy advice as being key to the eradication of household fuel poverty. Proposals were made to ensure that the advice available going forward would be better coordinated, more easily accessible and provided in a format best suited to those needing advice. The delivery model would be a two-way referral network that ensured whichever organisation or service a householder accesses first, they can be referred to the full range of advice and support services the householder requires to reduce their fuel bills, maximise their income, improve the energy performance of their homes and reduce their risk of becoming fuel poor. A central coordination point for referrals would work with existing frontline services and offer priority support to households in crisis. This advice service is integral to what is now known as **Nest**, Wales' demand-led fuel poverty scheme. While British Gas has overall responsibility for Nest, the EST is a material sub-contractor delivering the advice part of the scheme.

In 2011, the Welsh Government published its [Programme for Government](#), setting out its ambition to create a sustainable, low-carbon economy for Wales and committing to reviewing the arrangements for providing advice on energy efficiency. The review concluded that the grant-funded services should be replaced by competitively procured services. It also recommended that the landscape of provision could be simplified for service users, with the newly procured services being better integrated with other Welsh Government services.

In response to this, in January 2013, **Business Wales** (BW) was set up with European Union and Welsh Government funding to provide an all-encompassing advice service to Welsh businesses. This includes specialist energy efficiency advice.

[Energy Wales: A Low-Carbon Transition](#), published in March 2012, details the route to realising a low-carbon economy through the Welsh Government's devolved powers on economic development, housing, planning, environmental regulation, pollution and transport policies. *Energy Wales* [committed](#) to putting in place a single point of contact for businesses and households for advice on resource efficiency, in particular energy efficiency, and the options available. Picking up on the need to improve the quality of efficiency advice, the Welsh Government then launched **Resource Efficient Wales** (REW) in October 2014. Its design is intended to support the development of a thriving market for advice and support in resource efficiency, and deliver continuous improvement. It incorporates advice provision as part of Nest.

## 2.5 Scottish policies

The Scottish Government plans to move towards a [low-carbon economy](#) with a focus on energy efficiency and micro-generation. It considers raising awareness and offering advice and support as an effective method for effecting long-term reductions in energy consumption across Scotland. To facilitate this, one of the key actions committed to in its 2010 [Conserve and Save: Energy Efficiency Action Plan](#) was the simplification and streamlining of the energy and resource efficiency advice and support delivery landscape for business and domestic consumers.

The Scottish Government considered that access to advice and support for businesses on energy and resource efficiency could appear unclear and disjointed. It identified a need for a more effective, joined-up approach between agencies, including the need for better integration of services, better signposting between agencies and a more customer-focused approach. Additionally, it identified a need for action to remove some of the barriers that impede effective delivery, including inconsistencies between agencies.

The Scottish Government's plans included the following:

- Streamlining the delivery of its energy efficiency and fuel poverty programmes through the setting up of **Home Energy Scotland** (HES), effectively a re-brand of Energy Saving Scotland's advice centres. This is the main contact for domestic energy consumers in Scotland and is managed by the EST.
- Actively promoting the provision of energy efficiency advice to businesses in Scotland, including through the establishment of a single energy and resource efficiency service that integrates non-domestic energy, water and material resource efficiency services previously provided by Zero Waste Scotland, CT and EST. The **Resource Efficient Scotland (RES) Advice and Support Service** was launched in April 2013.

Following the referendum vote, the November 2014 [Smith Commission Report](#) sets out agreed devolution of additional powers to the Scottish Government. The following agreements are of particular relevance:

- There will be a formal consultative role for the Scottish Government and the Scottish Parliament in designing renewables incentives and the strategic priorities set out in the Energy Strategy and Policy Statement, to which Ofgem must have due regard.
- Powers to determine how supplier obligations in relation to energy efficiency and fuel poverty, such as the ECO and WHD, are designed and implemented in Scotland will be devolved. Responsibility for setting the way the money is raised (the scale, costs and apportionment of the obligations as well as the obligated parties) will remain reserved.
- Consumer advocacy and advice will be devolved to the Scottish Parliament.

The Westminster legislation was based on the recommendations of the Smith Commission and will not be enacted until after the UK election in May.

## Chapter 3

# Consumer needs - current and future

*This chapter sets out the scope of consumer advice and redress needs, both current and likely to emerge in the future. Intransigent consumer service problems such as billing and transfers, coupled with rapidly evolving and complex policies, drive consumers' advice and redress needs.*

**Consumers need help to:**

- *secure the best deal (including bill management, identifying the best deal, securing subsidies, and negotiating a better deal)*
- *reduce energy use*
- *generate energy.*

**According to the data collated for this research, in 2014, nearly 815,000 requests for energy advice were made by domestic consumers and over 2,000 by micro-businesses, increasing significantly since 2012 but still below targets:**

- *Saving energy was the primary reason for consumers seeking advice, followed by securing the best deal – no surprise given levels of fuel poverty and the measures used to address it.*
- *Securing financial assistance (e.g. subsidised tariffs) was far more important than identifying the best tariff but new smart meter tariffs, service bundling and collective switching may increase demand for this type of advice.*
- *The increasingly technical nature of energy efficiency measures will also drive future advice needs.*
- *Generating energy concerned considerably fewer clients but its importance is likely to grow – particularly for off-grid consumers – as the costs fall, if the impacts of supply shortages are felt and as Governments seek to further incentivise its use.*

**According to the data collated for this research, in 2014, around 42,000 consumers requested independent assistance with resolving an energy complaint, of which only a tiny proportion were micro-businesses. In spite of a quadrupling of complaints over the last three years, there is evidence that far fewer people are making use of independent redress than are eligible.**

- *Basic consumer service issues of billing and transfers currently dominate.*
- *There is a conspicuous absence of complaints relating to energy efficiency sales, products and installations – all of which stakeholders anticipate will grow with the Green Deal and smart meter roll out.*



- *The Government's encouragement of micro-generation schemes is also likely to increase demand for redress.*

**Consumers want advice to be:**

- *of different styles and formats*
- *comprehensive and accurate*
- *proactively supporting those most in need*
- *offering practical support to those who need it*
- *independent from energy providers*
- *free.*

**Consumers want redress providers to be:**

- *well-known and understood*
- *trusted to be fair and effective;*
- *hassle-free.*

## 3.1 Introduction

One of the most fundamental needs of consumers is to be able to understand the options available to them in the market and select those of greatest benefit to them. Advice may be needed to achieve this. And if things go wrong, consumers need to know what their rights are and that if the company does not put things right, that someone else will protect them and make sure they secure the redress deserved.

While these consumer needs are widely accepted, there is little direct research into consumers' energy advice and redress needs (or at least published data). This research has:

- collated data on the issues for which consumers contact advice and redress providers (bearing in mind that the needs of those not using the service will not be captured)
- referred to other sources of direct consumer research about the nature of support desired where available.

To develop a fuller picture, we must supplement this information by deducing consumer needs from:

- what is happening to the energy market and what is forecasted to happen
- what policy-makers are seeking to achieve.

The chapter below sets out this evidence, gleaned from the information request, document reviews and discussions with the providers interviewed. It begins by looking at the issues consumers need support with, and follows this with evidence on how they would like this support to be provided.

## 3.2 What do consumers need support with?

### 3.2.1 Overview

#### Evidence from consumers on their current needs

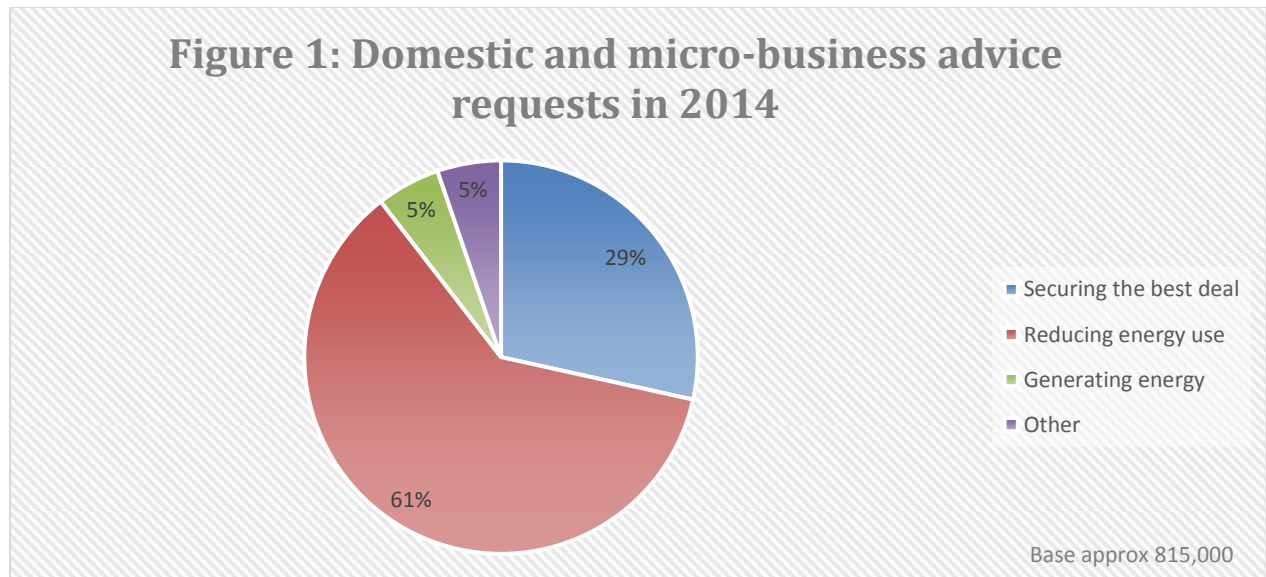
In spite of caveats regarding the quality of the data available, the responses to the information request provides a unique indication of the scale and nature of advice and redress use across all major energy advice and redress providers in England, Scotland and Wales. This in turn gives us valuable insights into current consumer needs.

The information request revealed a high number of consumers using advice and redress services, indicating that this support is needed. In 2014, nearly 815,000 requests for energy advice were made by domestic consumers and fewer than 2,000 by micro-businesses.<sup>3</sup> Data limitations are likely to have suppressed the figures for business, but even with allowances for this, they would remain very much a minority client group in spite of their representation in the population. This may indicate that they either have fewer advice needs than domestic consumers or their needs are inadequately addressed.

The total number of advice requests has increased significantly – by about one-fifth – since 2012. That this remains significantly below some major providers’ targets may indicate that either the support is not needed at this level or improvements are needed to deliver on these targets.

Based on the data available, saving energy was the primary reason for consumers seeking advice, followed by securing the best deal. However, the latter issue is likely to be under-represented.<sup>4</sup> Generating energy and other issues concerned considerably fewer clients.

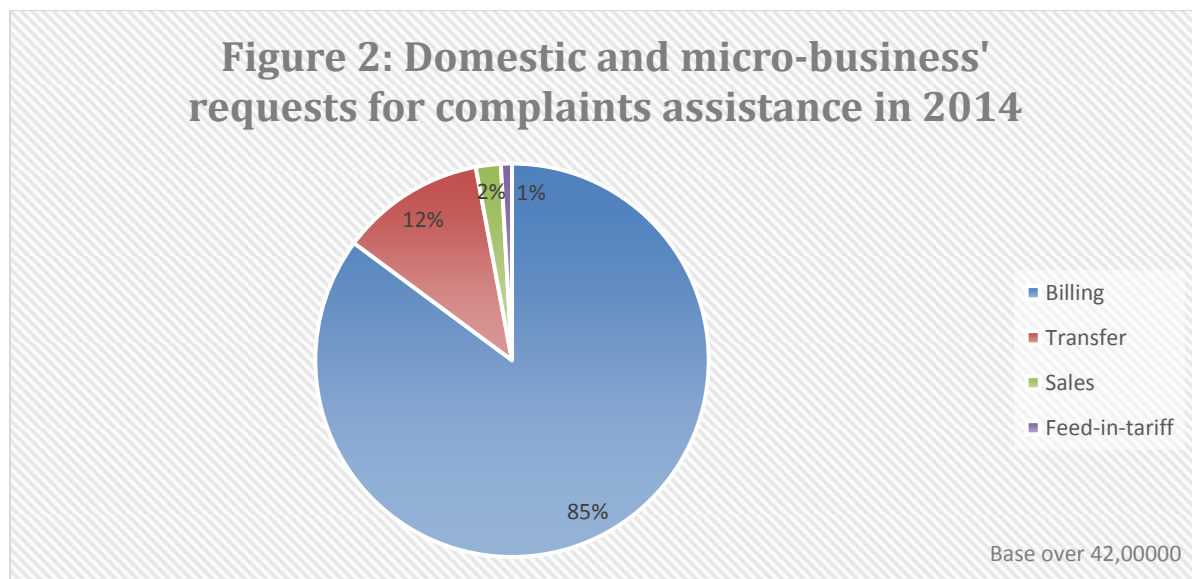
As Figure 1 below reveals, domestic consumers’ requests were largely about how to reduce energy use, followed by securing the best deal, with considerably fewer seeking advice on generating their own energy. Micro-businesses seemed mostly concerned with securing the best deal, reducing energy use and generating energy following very much as a minority. However, energy saving issues are likely to be under-represented because of data limitations. These key areas of consumer need are explored in more detail below.



<sup>3</sup> Data used was from Energy Best Deal Extra, EHU, Citizens Advice consumer service, Home Heat Helpline, ESAS, Nest, HES, RES, BESN and MCS. The figures used to calculate this vary in their presentation. Most were presented by client but some organisations counted the number of contacts. Most data was for 2014 but some was for 2013. ESAS does not make publicly available data separating enquires from business from domestic consumers and this will inflate the domestic figures presented here, as will figures from the consumer service.

<sup>4</sup> BESN did not split out the types of advice it provided and so was not included in this analysis.

In 2014, over 42,000 consumers requested independent assistance with resolving an energy complaint. This represents a quadrupling of complaints over the last three years,<sup>5</sup> indicating a growing need for support and/or that providers are delivering a more effective service. There is clear evidence for the former position, since satisfaction with [suppliers' complaint handling](#) has decreased from 40 per cent in 2012 to 30 per cent in 2014, and over half of those who had complained were not satisfied with the way their complaint had been handled by their energy supplier. The latter position is also supported because we know that the vast majority of complaints that are eligible for consideration by a redress provider are never taken to them. In 2013, [Ofgem research into use of the Energy Ombudsman](#) found that only 5 per cent of eligible domestic and micro-business customers had escalated their complaint to the ombudsman. The vast majority of complaints are about billing problems, followed by switching suppliers; this is illustrated in Figure 2 below.



While service usage indicates advice and redress providers are responding to consumer needs, a clear test is whether a) consumers are suffering harm, and b) whether advice and redress providers reduce this harm. The BIS 2014 [consumer detriment survey](#) reveals that gas and electricity services account for 5 per cent of issues within those sectors that cause the highest proportion of consumer problems – surpassed by only home maintenance/improvements/installation services (9 per cent) and telecommunications (10 per cent). Regrettably BIS does not assign a monetary value to the detriment caused as a result in this survey. However, we do know that poor consumer choices and improper supplier actions can, and have, led to significant health problems and even death.

In Chapter 5, the reviewer evaluates in more detail the benefits delivered by current provision based on providers' performance data. However, Ofgem's 2014 [evaluation of the benefits of eight energy advice services](#) does show that, in consumers' opinions, advice providers are reducing harm. Ofgem found that the energy efficiency, finance and tariff

<sup>5</sup> This is based on data from MCS, Ombudsman Services: Energy, GDO and the Renewable Energy Consumer Code.

advice, as well as hands-on support with equipment provided, has a range of benefits for the fuel poor, including:

- warmer homes (with additional health benefits)
- financial benefits
- greater peace of mind
- confidence in controlling usage.

### **Evidence from policy and market developments**

The energy market provides one of the most essential services but it is also one of the most complicated markets for consumers. Energy consumers face a triple challenge – rising energy prices, potential future supply shortages and suppliers that are unresponsive to their needs. The high level of financial and technical literacy skills required by consumers, and the time needed for them to address these sector challenges, means that independent, high-quality advice is a necessity for many and redress a crucial backstop.

The Government and Ofgem take steps to manage energy consumer challenges; they seek to help consumers use less energy and to get the best deal, encourage the use of micro-generation and provide support to those most in need. But these actions in themselves can create new challenges for consumers. With every new policy comes a new service or way of doing business, which needs consumer understanding, choice and action. As one of the interviewees stated: *'Complicated policies lead to complicated advice.'* And with a change of Government, these policies could change again.

Every new policy also risks causing new types of detriment that need resolving. Because suppliers do not always deliver on their commitments and the potential for detriment is so high, robust forms of redress that are responsive to the changing nature of consumer detriment are needed to maintain service standards. Redress providers also need to continue to tackle intransigent and basic customer service problems such as billing. Providers are reporting an upswing in these issues as more small suppliers enter the market; they can struggle to cope with their rapid growth and tend to lack the sophistication of response needed.

The section below examines these issues in more detail across the key areas of consumer advice needs.

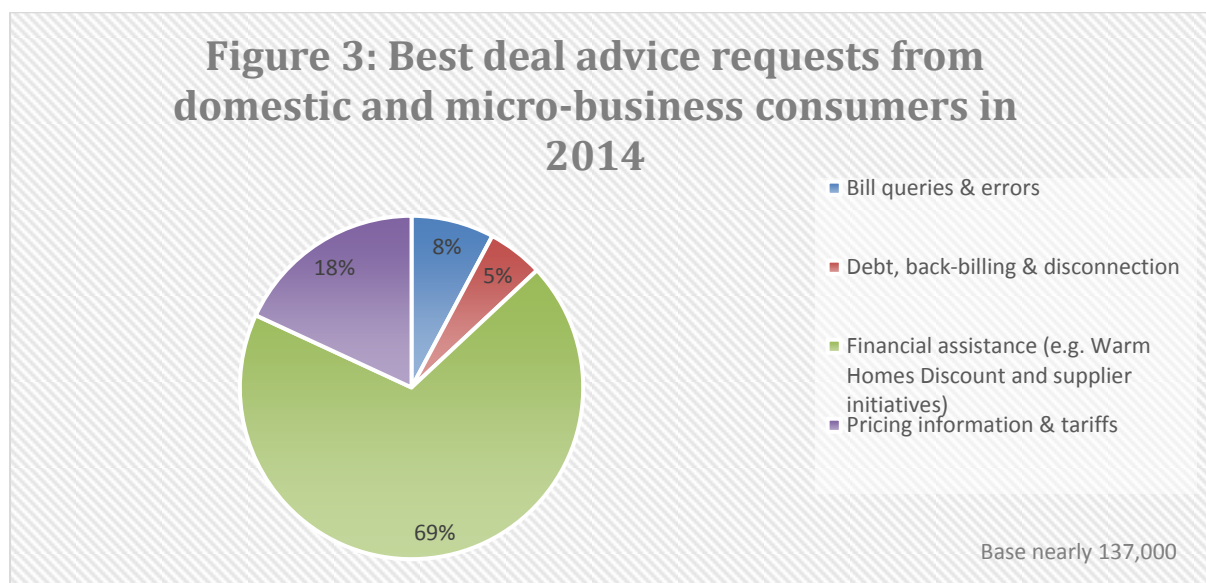
#### **3.2.2 Help to secure the best deal**

In 2014, there were nearly 137,000 requests for advice on how to lower energy bills by securing the best deal.<sup>6</sup> The dominance of billing and transfer complaints reinforces the importance – and challenges – that consumers face in securing lower bills.

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<sup>6</sup> This analysis, and equivalent ones in subsequent sections, draws on data supplied in relation to the top five issues for each organisation. They therefore do not total the number of requests cited earlier.

While the British Government has actively sought to support consumers to identify and switch to the best deal, consumers are more likely to seek advice in order to secure financial assistance than to explore different tariffs. This may well be a result of rising energy prices, coupled with a decrease in average household incomes, resulting in an increase in fuel poverty. For some advice providers it is consumers' need for help to address a general poverty issue that enables them to give advice on energy. Micro-businesses have also felt the impact of the economic downturn and [Ofgem research](#) has shown them to be similarly concerned with cost reduction, albeit through sourcing a cheaper tariff. Rising fuel prices will drive advice needs in this area.



We can further explore consumers' current and future need for advice and support in reducing their energy bills through:

- bill management
- identifying and switching to a better deal (either with the same or a different supplier)
- securing subsidies
- negotiating a better deal (through collective switching).

### **Bill management**

Many advice issues currently relate to help needed in understanding bills and resolving inaccurate bills. Incomprehensible and inaccurate bills both lead to unnecessarily high costs as consumers may be unable to spot over-billing or be charged too much. Other common problems include back-billing and managing debt (for example, agreeing repayment plans, money advice, disconnection). Meters also create a number of common concerns, including problems topping up meters and emergency wind-ons for prepayment meter customers. Smart meters will impact upon these issues but generate concerns of their own.

## Identifying the best deal

To switch to a better deal, consumers need to be clear about their energy needs and what different tariffs will cost them. Ofgem's Retail Market Review provided evidence that domestic consumers are confused about energy tariffs, and this was a major obstacle to switching to a better deal. The more confused consumers are about the options available, the greater the need for independent advice. However, [Ofgem research](#) indicates that this needs to be free of charge. They found that micro-businesses are less likely than a larger business to use a broker for finding a supplier, partly because they do not think there are sufficient savings to be made, and partly because they perceive an additional layer of cost. The independence of price comparison sites accredited by Ofgem has recently come under criticism, leading one interviewee to suggest that organisations without a profit motive and so independent of the energy industry should be involved in providing this service.

The simplification of both the offers and switching process should reduce the need for independent advice provision. However, tariff/payment complexity is being driven by other Government policies aimed at reducing energy consumption – smart meters, micro-generation, and the Green Deal (see Section 3.2.3). This brings into sharper relief the reliability and cost of price comparison services, and how well these serve consumer needs.<sup>7</sup>

The roll out of smart meters to all homes and small businesses (that want them) by 2020, and the increasing take-up of electric vehicles, are likely to lead to the proliferation of time-of-use tariffs. Unless the industry proactively matches consumers to their optimal tariff, consumers will need to develop a sophisticated understanding of their energy needs or seek independent advice and support. The potential for these services to be provided by increasingly sophisticated, regulated intermediaries could add a further layer of complexity to these transactions.

The current trend towards bundled multi-utility offers and the bundling of power with energy efficiency measures adds a further layer of complexity to securing a better deal. It also expands the opportunities for detrimental and complex redress procedures if the switching process is problematic, or if there are problems with the products, their installation or performance.

A further complication to tariff choice is the emergence of green and renewable tariffs. These offer another reason for tariff choice beyond price but [Ofgem 2014 research](#) found consumer awareness and understanding of green tariffs to be very low, again driving the need for advice. The current availability of such tariffs are, however, very low.

## Securing subsidies

In addition to these changes, to get the best deal consumers need to identify what social tariffs are available, understand which one suits their needs, whether they are eligible, how to apply, and to reapply every year. Because the financial support schemes are targeted at vulnerable consumers, it is likely that many consumers in need of such schemes are likely to require advice and support to benefit from them. The schemes are in near-perpetual flux,

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<sup>7</sup> Citizens Advice deemed price comparison websites out of scope for this evaluation.

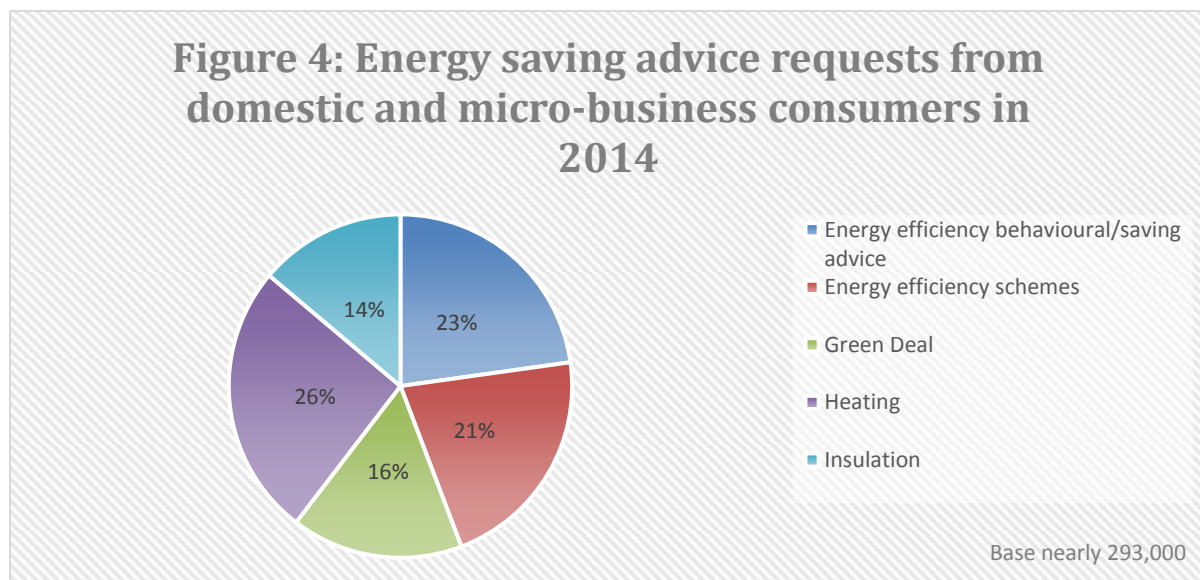
further adding to the advice and support needs of vulnerable consumers, and indeed the training needs of advisors. To illustrate this complexity, DECC have tasked the ESAS with developing and maintaining a database of companies' ECO offers and local authority schemes so that they can correctly advise callers on offers that may be available to them according to their supplier, property and area.

### Negotiating a better deal

On top of these developments, DECC is seeking to stimulate [collective](#) switching and ensure that [vulnerable consumers](#) can benefit. The idea is that through combining their buying power, consumers will be able to secure a better deal. Consumers will increasingly need to consider whether they want to choose from a tariff on the market or join a collective that then negotiates a better tariff from providers. However, new ways of engaging with the market bring new demands for advice, support and redress.

### 3.2.3 Help to reduce energy use

In order to keep warm, save money and/or benefit the environment, consumers may want to invest in energy efficiency measures. The information request revealed that in 2014, there were nearly 293,000 requests for advice about reducing energy usage. These are fairly evenly distributed between heating, energy efficiency behavioural/saving advice and energy efficiency schemes that help consumers take advantage of subsidised measures and installations. The Green Deal and insulation were also advice topics of note. Energy savings complaints did not arise in the data made available.



[Ofgem research](#) has shown micro-businesses to be keen to reduce their expenditure through using less energy, although they consider that they have too little time or money to invest in this. Consumers also have little experience of efficiency measures – what they can offer, how they work, and what their benefits and disadvantages are. This is problematic as increasingly energy efficiency advice is moving on from simple, easy-to-install measures



such as light bulbs and insulation (such as cavities and lofts) to more complex measures that require tailored, on-site advice.

To engage in the energy efficiency market, having decided what measures to purchase or install, consumers will then need to work through the complex options and subsidies available to pay for these products. Problems with product and installation quality, performance and mis-selling will also create a demand for redress. Together, this means that advice and redress needs are already complex. If prices and supply shortages increase, it is possible that there will be increasing activity in the energy efficiency market, especially with further Government incentives. The emergence of new, more complex and costly technologies, particularly those to address hard-to-treat homes, will further add to advice needs.

Currently, through the [Green Deal](#) and ECO, the British Government is seeking to stimulate an energy efficiency market and increase the energy efficiency of homes and non-domestic premises. The Green Deal lets domestic and non-domestic consumers make energy efficiency improvements with some or all of the cost paid for from the savings on their energy bills. The financial, technical and administration skills are significant, especially since those responsible for calculating likely cost savings from different measures have not always agreed on the level of savings that will be feasible.

Investing in energy efficiency requires decisions about who is to provide in-home advice on the measures needed; the type of measures preferred; who is to supply and install (accredited or not?); how to use them and what to do if things don't work as well as they should – either because of poor initial advice on the measures needed, poor workmanship or faulty products, or because the anticipated savings are not being achieved and/or mis-selling has occurred.

On top of these decisions, consumers need to decide how to pay – through Green Deal financing (that is, signing up to a Green Deal plan), self-financing, whether it is possible to access subsidised installation schemes such as ECO, the Green Deal Home Improvement Fund and those run by the Scottish or Welsh Governments, or some combination of these. [Collective](#) purchasing of energy efficiency measures is a further alternative. Green Deal repayments will be collected through energy bills, with the risk of disconnection if consumers default on these charges, but advice will be necessary if alternative financial arrangements are needed due to a change in personal circumstances, or there are suspected or actual billing errors. Support to seek redress will be needed if the original advice on payments or forecasted savings was poor or misleading.

Consumers, especially vulnerable consumers, will need support through this complex series of decisions and to hold to account the parties responsible if problems arise. They will need to know where responsibility for the problem lies and who to contact. The rights and obligations of leaseholders, tenants, vendors and homebuyers when a Green Deal plan exists will also vary and need targeted advice.

ECO is a subsidy from energy suppliers that will work alongside the Green Deal to provide energy-saving home improvements. As with social tariffs and discounts, vulnerable consumers need support in obtaining secure access to ECO funds as information and proactive recruitment by companies is insufficient to reach all those who could potentially

benefit. It also opens up opportunities for misleading offers of support. Consumers may be misled to pay for a Green Deal assessment in order to ‘find out if they are eligible for ECO’, even though surveys are free under ECO. While some of the decision-making on choice of efficiency measures may be outside of consumers’ control, installation and performance issues may still arise and so create a demand for advice and redress provision.

The smart meter roll out programme is another Government initiative to encourage reduced energy usage. The business case for this is predicated on consumer use of the information these meters will provide on energy use in the home. To maximise the gains from these, many consumers may need support to interpret and act on the extra information on energy usage being made available to them. Again, consumer support is needed to tackle issues relating to usability (of both the meter and in-home display), installation, faulty products and switching energy providers, as well as protecting vulnerable consumers from opportunists and pressurised doorstep sales occurring opportunistically alongside the roll out. Consumer needs may also arise in relation to remote disconnection and remote switching to prepayment meters and data privacy. These issues add to the common current meter concerns of installation and operation. As with the Green Deal, any [consumer resistance](#) to the initiative jeopardises its success but also reduces the need for consumer-led advice and redress provision.

The increasing focus on the energy efficiency of the private rented sector will lead to increasing need for support amongst landlords and tenants.

### **3.2.4 Help to generate energy**

The information request revealed that, in 2014, there were nearly 27,000 requests for advice about micro-generation and around 1,500 complaints. This volume is relatively small but this market is already substantial, with around 4,000 certified installers. Consumers may increasingly want (or in the future, need) to generate their own power through the use of renewable and low-carbon methods (for example, solar panels, wind turbines, heat pumps) in order to secure energy supplies, lower their bills and possibly earn money through selling back excess supplies to the grid. This may be especially valuable for homes that are off the gas network.

The British Government is seeking to move [micro-generation](#) into the energy mainstream and stoke demand with initiatives such as Feed-in-Tariffs (FITs) for small-scale electricity generation and the Renewable Heat Incentive (RHI) for commercial and domestic heat generation. The Welsh Government also wants to ensure communities have access to advice to help them co-operatively harness appropriate and proven renewable technology – such as hydro, solar, wind and biomass – for local electricity generation. The Scottish Government is similarly interested in supporting communities to develop energy projects and supports individual householders to use renewable energy systems.

The market has proven to be responsive to Government subsidies in the past and redress needs have reflected these changes. For example, 78 per cent of the Renewable Energy Consumer Code’s (RECC) complaints were accounted for by solar photovoltaics, and FITs are one of the top four consumer complaints (albeit only 1 per cent of all complaints). As the

RHI further beds in, heating advice and redress needs are likely to increase, although the latter will be moderated by the effectiveness of consumer protection measures that the Government builds into the scheme.

Micro-generation products are technically complex and expensive. Already, interviewees felt there to be a shortage of independent, technically competent advice available on suitable renewable options that were specifically suited to the building and inhabitants' needs. Moreover, these products and services are becoming widely promoted and there are instances of mis-selling (particularly to vulnerable consumers), and of contractual problems. Consumers need reliable and independent advice about this increasingly important part of the energy sector, including interconnections with the Green Deal and smart metering.

Consumers also need reliable, independent advice on financing. Most of the complaints to RECC are concerned with issues around deposits and advance payments. The administration of Government financial incentives is also another area requiring consumer support.

As with energy savings options, advice on accreditation of advisors, products and installers, and responsibilities and consumer protections for problems at any point in the transaction, are needed. Consumers will require advice and support to ensure the benefits of new heating systems are delivered in practice. They will also need support if technical or workmanship issues arise. This is the third most frequent complaint to RECC.

Advice and redress providers have reported that these initiatives have indeed stoked increased use of their services in this area. One might also assume that, with energy supply shortages forecast, the EU's 2020 renewables target and the focus of the British, Scottish and Welsh Governments on micro-generation and energy storage technologies, it is likely that its use will grow.

### 3.3 Preferences for how this support is provided

There is very little research with consumers about how they want advice and redress providers to operate. [DECC](#) commissioned research into high-level potential advice needs throughout Great Britain, but this is unpublished. However, there are a few useful studies, which indicate that energy consumers need advice that is as follows:

- **Takes different styles and formats.** Ofgem's 2014 [evaluation of the benefits of eight energy advice services](#) recommended a mixed economy of provision in advice services (that is, telephone or face-to-face, group or one-on-one, one-off or long-term) in order to better match advice with consumer needs.
- **Comprehensive and accurate.** The advice provided needs to be up-to-date and reflect the breadth of issues consumers need to engage with in this complex, fast-moving sector. As part of their evaluation, Ofgem recommended greater co-operation and use of referrals between providers to better match consumers to the advice they needed.
- **Proactively supports those most in need.** BIS reports that certain types of consumers have particularly low awareness of their rights and difficulties accessing advice (for example, low-income groups) so advice needs to reach out to those consumers least informed and at greatest risk of detriment.

- **Offers practical support to those who need it.** Consumers who have the additional challenge of personal drivers for change in their relationship with their energy provider, such as a change to their health, finances and home or business, are also likely to need more practical support from advice providers to help them secure the goods and services that are most beneficial to them. Ofgem found that practical support could be key for those more vulnerable consumers adopting advice, so this should be a priority when designing advice schemes. This is especially the case where the cost-benefit appraisal conducted by consumers when considering whether or not to change behaviour is more marginal.
- **Independent from energy providers.** A 2013 EST [survey](#) found that 60 per cent of domestic consumers were unwilling to take advice from energy firms on energy efficiency as a direct consequence of their distrust. Similarly, [Ofgem](#) found that some micro-businesses would like more advice on energy efficiency measures but this needs to come from an impartial, and ideally a Government, source.
- **Free.** Ofgem's advice services evaluation and behavioural economics establishes that consumers will make cost-benefit analyses before taking action. Costs will act as a barrier to seeking advice and this may be why some consumer groups are less likely to seek support. [Ofgem research](#) supports this, with the finding that micro-businesses are less likely than larger businesses to use a broker for finding a supplier, partly because they do not think there are sufficient savings to be made, and partly because they perceive an additional layer of cost.

[Ofgem research into use of the Energy Ombudsman](#) identifies barriers to use of the redress scheme, indicating that consumers need redress provision that is as follows:

- **Well-known and understood.** Low levels of awareness of redress provision and understanding of a redress provider's role hinders usage. Advice about making a complaint and redress provision is therefore important. The [Cabinet Office](#) favours the use of a single ombudsman for each regulated sector (that is, only one for all energy matters) in order to maximise awareness and understanding.
- **Trusted to be fair and effective.** As with advice provision, independence is important to consumers.
- **Hassle-free.** Ofgem found that expectations of difficult exchanges with energy providers, followed by a drawn-out and complicated process, was a barrier to take-up. Although not explored, this may extend to offering practical support to consumers and being clear that the benefits of engaging in the process are worth the cost (that is, worth the hassle).

## Chapter 4

# Definition of adequate energy advice and redress provision

*The definition of adequate advice and redress provision is captured within a bespoke evidence-based assessment tool developed for this evaluation, but which also has equal relevance to other sectors. Unlike previous evaluations, this not only sets expectations of how advice or redress should be provided but prescribes what outcomes are desired, and sets out objective indicators to compare providers' performance and get an overview of sector performance. The tool has three components:*

- *Best-practice delivery principles*
- *Desirable consumer outcomes*
- *Objective indicators of performance and compliance*

*Providers need to adhere to the delivery principles and demonstrate achievement of the stated outcomes to be considered adequate.*

*Interviewees were asked to reflect on the efficacy of the assessment tool. They were highly supportive and only minor adjustments were needed. Following feedback, the delivery principles and consumer outcomes are as follows:*

1. **Accessible and visible** – all those who want/need to use the service can.
2. **Comprehensive and integrated** – consumers get maximum support for minimal effort.
3. **Independent and impartial** – the service is trusted and improves energy providers' service standards.
4. **Expert and professional** – frontline staff have the necessary skills and knowledge to identify and address clients' needs, operate with the highest standards of customer care and deliver fair decisions.
5. **Adequately resourced** – the service can deliver in line with need.
6. **Responsive and future-proof** – the service provided/contracted aligns with consumer need.
7. **Effective and efficient** – builds clients' confidence and their capacity to successfully navigate the markets for themselves, while providing good value to the taxpayer.
8. **Transparent and accountable** – advice/redress providers seek to continually improve their service standards.

## 4.1 Introduction

In order to make a meaningful assessment of the adequacy of advice and redress provision, it is necessary to have a robust and standardised assessment tool with which to objectively measure and compare performance. The assessment tool can also serve as a robust framework for developing and testing proposals for improving provision. This chapter describes this tool, its development and stakeholders' views on its design.

## 4.2 A focus on consumer outcomes not delivery principles - what rather than how

There are a number of standards and best practice delivery principles available, especially for redress. These helpfully share much common ground. However, such principles are insufficient on their own, as they take no account of whether they result in the desired outcomes if they are adhered to. In other words, whether they make a difference to consumers.

This focus on delivery principles has again been reinforced through the *ADR Directive*, which came into force in July 2013 and has since been transposed into [law](#). By 9 July 2015, all UK ADR schemes will be required to adopt certain operational rules. Because the British Government has to certify that UK ADR providers are compliant with these, it is important that any assessment tool has regard to such rules even if the ultimate focus is on measuring providers' impact – whether on consumers, on business or on the economy.

Recent Government impact assessments seeking to introduce changes to advice and redress provision come closer to a focus on the outcomes that providers should be aiming for, and identifying associated indicators of performance. However, they tend to focus on less measurable, sector-wide outcomes and indicators that could not be attributed to the performance of any single provider, and so are less suitable for this purpose (such as empowered consumers, increased consumer confidence/engagement in markets, reallocation of spending to businesses with a better record for quality, increased awareness of rights, take-up of energy efficiency and bill reduction opportunities).

Appendices 1 and 2 summarise the key findings from this review of standards, principles and impact assessments for advice and for redress provision. Because of the degree of convergence between these tools for both types of provision, it was concluded that one assessment tool with some additional elements from the *ADR Directive* would be sufficient for both advice and redress providers. The converged delivery principles were then supplemented with associated outcomes and indicators of performance or compliance informed by this review and an understanding of consumer needs (see Chapter 3). Providers

need to adhere to the delivery principles and demonstrate achievement of the stated outcomes to be considered adequate. Their answers on the indicators will reveal any particular gaps or areas needing improvement.

The indicators form the basis of the information request to providers being assessed as part of this review. Advice and redress providers operating according to best practice should be able to produce the necessary data, but it is anticipated that this data may not always be available or could be withheld on the grounds of commercial confidentiality.

The table below sets out the final assessment tool. Words and phrases underlined are specific requirements of the *ADR Directive*. Appendix 3 sets out the detailed information request sent to key advice and redress schemes, Appendix 4 the supporting interview schedule and Appendix 5 the stakeholders contributing their views to this work.

## A tool for assessing the adequacy of advice and provision

Delivery principles		Outcomes	Performance & compliance indicators
Name	Definition		
<u>Accessible &amp; visible</u>	<p>Widely known to all consumers who may potentially benefit from the service, with minimal barriers to use. Specifically:</p> <ul style="list-style-type: none"> <li>• <u>Free/nominal charge to client</u></li> <li>• Full array of communication channels available (face-to-face, telephone, email, digital functions e.g. website, web-chat, social media). Or as a minimum, the <u>option to conduct communication online or offline.</u></li> <li>• Clear and simple procedures</li> <li>• Any premises are centrally located, easy to enter and welcoming in appearance</li> <li>• Service is open at times to suit demand</li> <li>• Resources in accessible formats</li> <li>• Interpreters and support for those with sensory impairments</li> <li>• Third-party representation permitted</li> <li>• Compliant with obligations under equalities legislation and guidance</li> <li>• Tailored service for vulnerable consumers</li> </ul>	<ul style="list-style-type: none"> <li>• All those who want/need to use the service can</li> </ul>	<ul style="list-style-type: none"> <li>• Levels of awareness by client group (domestic, micro-enterprise, vulnerable, advisor)</li> <li>• % and volume of clients that are signposted to other providers because their issues are outside of remit.</li> <li>• Projected number of clients p.a. for the last 3 years</li> <li>• Usage levels by client group including: <ul style="list-style-type: none"> <li>- customer contacts p.a. (average over last 3 years, last full years' actual)</li> <li>- top 5 issues contacted about and volume for most recent complete year</li> </ul> </li> <li>• Charges to clients (including telephone)</li> <li>• Details of communication channels available</li> <li>• Details of tailored services for vulnerable consumers</li> </ul>
<u>Independent &amp; impartial</u>	<p>Demonstrably <u>separate from and independent of energy providers.</u> Specifically:</p> <ul style="list-style-type: none"> <li>• Separate organisation</li> <li>• Management structures</li> <li>• Employment terms</li> <li>• Use of independently approved tools/standards/legislation/good practice to aid impartiality and consistency</li> <li>• Client confidentiality</li> </ul>	<ul style="list-style-type: none"> <li>• The service is trusted, which in turn enhances usage and industry responsiveness</li> <li>• Advice/decisions on complaints help improve standards of service from energy providers</li> </ul>	<ul style="list-style-type: none"> <li>• Levels of trust in service provider from clients, industry and policy-makers</li> <li>• Details of procedures used to ensure independence from industry</li> </ul>
<u>Expert &amp; professional</u>	<ul style="list-style-type: none"> <li>• All advisors/decision-makers have completed appropriate training and secured relevant professional accreditation</li> </ul>	<ul style="list-style-type: none"> <li>• Frontline staff have the skills and knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• Level of complaints about advice provider by client group (last 3 years ending with last</li> </ul>



	<ul style="list-style-type: none"> <li>Ongoing and routine monitoring and supervision of staff to ensure maintenance of standards</li> </ul>	<p>necessary to identify and address clients' needs, operate with the highest standards of customer care and deliver fair decisions. This in turn enhances all outcomes for consumers, energy providers and the economy.</p>	<p>complete year)</p> <ul style="list-style-type: none"> <li>Level of client satisfaction (by client group) with the process</li> <li>Details of mandatory training and accreditation requirements</li> <li>Details of significant service quality issues identified (either through internal or independent assessments)</li> </ul>
Comprehensive & integrated	<p>Comprehensive coverage of energy markets (supply, distribution and services – energy efficiency, micro-generation and metering) and consumer needs (including energy efficiency as well as grant schemes/tariff discounts), either through own remit or seamlessly through direct handovers to other providers</p>	<ul style="list-style-type: none"> <li>Consumers get maximum support for minimal effort</li> </ul>	<ul style="list-style-type: none"> <li>Details of remit: <ul style="list-style-type: none"> <li>advice or redress</li> <li>geographical responsibility</li> <li>consumer issues and markets</li> <li>consumer type (domestic, micro-enterprise, vulnerable, advisor)</li> </ul> </li> <li>Key omissions identified in remit with assignment of red/amber/green, according to perceived negative impact on consumers, industry and the economy</li> <li>Referrals – how do clients hear about the service (e.g. energy company, another agency stating which one, internal referral if you supply more than one discretely funded service within your organisation)? Details of top 5, and % and volumes for each source.</li> <li>Signposting – % and volume of customers referred to other agencies as your organisation could provide only partial assistance</li> <li>Organisations clients referred on to – details of top 5, providing % and volume.</li> <li>Warm transfers – % and volume of customers handed immediately over to signposted organisation (e.g. calls put through, emails forwarded)</li> </ul>
Adequately	<p>Has the resources and flexibility necessary to deliver plans and</p>	<ul style="list-style-type: none"> <li>Service can deliver in line</li> </ul>	<ul style="list-style-type: none"> <li>Funding – who funds the organisation's</li> </ul>

resourced	<p>to respond to demand, including the following:</p> <ul style="list-style-type: none"> <li>Committed ongoing funding (i.e. funded by taxation or industry with regulatory oversight, although this excludes charitable and voluntary industry funding)</li> </ul>	with expectations and need	<p>advice/redress activities (e.g. through licence fee, directly from industry, via Government fund paid for by consumers etc), by how much and over what timescale? State separately if more than one.</p> <ul style="list-style-type: none"> <li>Cost – set-up and year set up OR anticipated costs and launch year if in development (e.g. from impact assessment/tender)</li> <li>Cost – annual including average over last 3 years and last full years’ actual</li> <li>Details of current/future resourcing shortfalls identified (e.g. money, staff, premises) and assigned red/amber/green according to significance</li> </ul>
Effective & efficient	<p>Maximises positive outcomes for minimal resources and acts proportionately. Additionally, for redress providers:</p> <ul style="list-style-type: none"> <li><u>Arrive at a binding decision for one or both of the parties, if this model suits that particular sector (i.e. ombudsman)</u></li> <li>A range of remedies</li> </ul>	<ul style="list-style-type: none"> <li>Build client confidence and capacity to successfully navigate the markets for themselves</li> <li>Low cost per client/issue versus other advice/redress providers</li> </ul>	<ul style="list-style-type: none"> <li>% and volume of client issues resolved where they are within remit</li> <li>Cost – per customer contact and by issue (no. of customer contacts for most recent complete year divided by annual cost that year)</li> <li>Effectiveness/performance – please report target and performance for most recent complete year, stating what year. We are looking for data evidencing performance against own targets/key performance indicators (KPIs)/dashboard/outcomes (e.g. call volumes, customer satisfaction scores).</li> <li>For redress providers only, are decisions binding on energy companies?</li> <li>For redress providers only, what remedies are available?</li> </ul>
Responsive & future-proof	<ul style="list-style-type: none"> <li><u>Service responds in a timely manner to clients</u></li> <li>Clear protocols and systems for consumer referrals, including timescales</li> <li>Service has capacity to and does develop in line with evidence from consumers on their current and future</li> </ul>	<ul style="list-style-type: none"> <li>Service provided aligns with consumer needs</li> </ul>	<ul style="list-style-type: none"> <li>Details of unmet consumer needs identified</li> <li>Planned service developments to respond to unmet needs</li> <li>For redress providers, % of disputes concluded within 90 days of receiving complaint file</li> </ul>

	<p>needs</p> <ul style="list-style-type: none"> <li>For redress providers, <u>must conclude disputes within 90 days of receiving the complete complaint file. This timeframe can be extended in the case of highly complex disputes. ADR providers have three weeks from receiving a complaint file in which to inform the parties concerned if they are refusing to deal with a case.</u></li> </ul>		<ul style="list-style-type: none"> <li>For redress providers, % of cases outside of remit that are informed within 3 weeks of receipt of file</li> </ul>
<p><u>Transparent &amp; accountable</u></p>	<p>Open about its work and impact, and engages with key stakeholders to identify opportunities for service improvements. Includes the following:</p> <ul style="list-style-type: none"> <li><u>Publicly available, specific information about the organisation, its legal constitution, its governance, funding, methods and cases they deal with, and impact (e.g. annual activity reports)</u></li> <li>Stakeholders involved in the provider’s governance</li> </ul>	<ul style="list-style-type: none"> <li>Continual improvement – advice/redress providers’ service standards are driven upwards</li> </ul>	<ul style="list-style-type: none"> <li>What legislation, guidance and/or licence conditions underpin your role and companies’ requirements to refer to your organisation, if any? If none, please state that this is the case.</li> <li>Hyperlinks to specific public information about the organisation, including its legal constitution, its governance, funding, methods, cases they deal with and impact (e.g. annual activity reports)</li> </ul>

### 4.3 Stakeholder views on the outcomes proposed

To further bolster the independence of the review, validate the process and refine the tool, stakeholders were invited to share their views on the outcomes proposed. Interviewees were overwhelmingly supportive and their feedback indicates minor adjustments would further improve the tool – specifically, removing the requirement for provision to align with consumer expectations and minor editing to clarify meaning. See Appendix 6 for a summary of the feedback provided.

From this, the reviewer’s revised list of desirable outcomes for advice and redress providers is as follows:

1. Accessible and visible – all those who want/need to use the service can.
2. Comprehensive and integrated – consumers get maximum support for minimal effort.
3. Independent and impartial – the service is trusted and improves energy providers’ service standards.
4. Expert and professional – frontline staff have the skills and knowledge necessary to identify and address clients’ needs, operate with the highest standards of customer care and deliver fair decisions.
5. Adequately resourced – the service can deliver in line with need.
6. Responsive and future-proof – the service provided/contracted aligns with consumer need.
7. Effective and efficient – builds clients’ confidence and their capacity to successfully navigate the markets for themselves while providing good value to the taxpayer.
8. Transparent and accountable – advice/redress providers seek to continually improve their service standards.

## Chapter 5

# An assessment of the adequacy of current advice provision

*This chapter assesses the performance of energy advice schemes against the 8 outcomes set out in the assessment framework. There are 12 taxpayer or mandated consumer-funded energy advice schemes across Great Britain delivered by 7 key advice providers and a range of smaller providers. Their collective performance against the framework is poor.*

<b>Delivery principle</b>	<b>Outcome</b>	<b>Adequacy of energy redress schemes</b>
<i>Accessible &amp; visible</i>	<i>All those who want/need to use the service can</i>	
<i>Comprehensive &amp; integrated</i>	<i>Consumers get maximum support for minimal effort</i>	
<i>Independent &amp; impartial</i>	<i>The service is trusted and improves energy providers' service standards</i>	
<i>Expert &amp; professional</i>	<i>Frontline staff have the skills and knowledge necessary to identify and address clients' needs, operate with the highest standards of customer care and deliver fair decisions</i>	
<i>Adequately resourced</i>	<i>The service can deliver in line with need</i>	
<i>Responsive &amp; future-proof</i>	<i>The service provided/contracted aligns with consumer need</i>	
<i>Effective &amp; efficient</i>	<i>Builds clients' confidence and their capacity to successfully navigate the markets for themselves while providing good value to the taxpayer</i>	
<i>Transparent &amp; accountable</i>	<i>Advice/redress providers seek to continually improve their service standards</i>	

## 5.1 Overview of provision

The reviewer failed to find any central repository of information about energy advice schemes and provision, even within the three Governments and regulator. The findings reported here are based on literature search, interviews and many investigative conversations with key players. While there was considerable convergence across these sources, it is not impossible that there are other key schemes that have been omitted from this review. The schemes identified are detailed in Figure 5.

**Figure 5: Energy advice in England, Wales and Scotland**

Advice initiative	Delivery organisation	Activity	Geographical coverage	Target consumer groups
<b>Great Britain and England only</b>				
Citizens Advice consumer service	Citizens Advice service	The service opened in April 2012 to provide free, confidential and impartial advice on consumer, energy and postal issues on the telephone and online. Detailed advice (tier 2) and casework is outside its remit. Referral protocols are in place for handling these. From March 2016, the consumer service will also incorporate the new ADR Referral Helpline – part of the UK’s response to the <i>ADR Directive</i> . This is likely to entail providing explanations of the ADR system and its benefits, assisted self-help and warm or cold transfers, and signposting to the appropriate ADR provider.	Great Britain	Domestic, micro-business, vulnerable & advisors
ESAS	EST with HGS UK (sub-contracted to run the call centre)	To provide advice on energy-saving technologies for homes and businesses, and DECC’s energy-saving and micro-generation policies and financial incentives. This is primarily ECO (a direct referral to energy suppliers and verification of eligibility for the Affordable Warmth scheme in conjunction with DWP) and the Green Deal, but also includes FIT, RHI (pre-application queries only – others handled by Ofgem helpline), local area-based schemes (e.g. Green Deal Communities and local authority initiatives), general fuel bill advice and smart meters. Signposting to assessors, installers and the Green Deal complaints procedure is part of their remit. They also manage a knowledge bank, which enables them to target the advice provided. The service opened in April 2012.	England and Wales	Domestic & micro-business
Home Heat Helpline (HHH)	Energy UK sub-contract to CPM	This telephone helpline advises people worried about paying their energy bills and keeping warm during the winter. It also advises low-income households in urgent need of heating help and advice on such things as grants, benefits and payment schemes and basic home energy efficiency. Referrals are made to specialists where appropriate.	Great Britain	Domestic
EHU	Citizens Advice Scotland	To investigate energy enquiries and complaints on behalf of vulnerable consumers. It has a duty to investigate cases involving disconnection and has powers to investigate cases involving vulnerability. It considers someone to be vulnerable if they cannot make or progress a complaint on their own.	Great Britain	Vulnerable (domestic & micro-business)
Energy Best Deal Extra (EBDX)	Citizens Advice (99 bureaux)	Extends normal bureaux support with face-to-face, one-to-one sessions on energy advice with specialist energy advisors, with the goal of helping consumers reduce their energy costs. This primarily focuses on: tariff and supplier switching; payment methods; energy efficiency measures; and debt advice. Consumers are actively	Great Britain	Vulnerable (domestic only)

Advice initiative	Delivery organisation	Activity	Geographical coverage	Target consumer groups
		recruited to the service. The trial began in 2013/14 and the hope is to roll it out across the network.		
BESN	National Energy Action (NEA) & around 150 grant-funded organisations	Extensive programme of outreach to vulnerable consumers, focused on giving them extra help and advice to engage with the energy market and the confidence needed to reduce their bills. The programme was delivered using a 'cascade' approach to share knowledge and reach a broader range of vulnerable consumers. This involved individuals (from the 94 grant-funded organisations), known as 'champions', taking part in national-level training (provided by NEA). Each champion was then responsible for coordinating and delivering training to additional volunteers, who worked alongside them to deliver advice to consumers on energy issues through workshops and one-to-one advice sessions. Together, champions and volunteers were also responsible for passing their training on to frontline workers, who could impart energy advice to vulnerable consumers in the course of their daily work. Following the success of the inaugural 2013/14 BESN, DECC has provided funding to continue the programme until March 2015.	Great Britain	Vulnerable (domestic only)
MCS Helpdesk	MCS	The Helpdesk answers queries about how MCS works, its standards, certified installers and products, and its complaints scheme. General queries about renewables are referred to ESAS.	Great Britain	Domestic, micro-enterprise, vulnerable (and also installers and product manufacturers)
<b>Wales</b>				
Nest	EST is a material sub-contractor to British Gas who delivers Nest on behalf of the Welsh Government, responsible for the advice component	A service coordinating support for the fuel poor in Wales. Launched in 2010 and running until 2016, Nest seeks to tackle fuel poverty by offering advice and support to all households on energy saving, bill reduction and income maximisation (benefit entitlement checks, money management), as well as renewable energy technologies, and offering a package of free home energy efficiency improvements to those in fuel poverty based on whole-house assessments. Those ineligible for practical support are referred to ESAS to check eligibility for WHD. Nest has developed a partner referral network, supported by a stakeholder board, to help identify and target vulnerable and hard-to-reach households that are most in need of the support Nest can provide.	Wales	Domestic & vulnerable
REW	Substantial delivery framework of	Launched in October 2014, REW is a contact centre and website that aims to provide consumers with a consistent and trusted place to visit for information, advice and support on all matters concerning resource efficiency, including using	Wales	Domestic, micro-business & vulnerable (also business,



Advice initiative	Delivery organisation	Activity	Geographical coverage	Target consumer groups
	specialist support	energy more efficiently and generating renewable energy. It is intended to provide assurance to consumers about which schemes are Government-backed, help consumers to engage effectively with providers and collect data to inform Government policy and demonstrate service effectiveness.		community, third and public sector)
<b>BW</b>	Welsh European Funding Office and Welsh Government	Has a specialist energy efficiency service as part of its more general support to people starting, running and growing a business. Advice is provided online, over the phone through the BW Helpline, and face-to-face through the BW centres. More specialist advice needs are handled through referrals to REW. BW was set up in January 2013 and runs to December 2015.	Wales	Micro-business (includes business more generally)
<b>Scotland</b>				
<b>HES</b>	EST on behalf of the Scottish Government through a network of advice centres	HES provides a one-stop, free and impartial advice service that covers the Green Deal, energy efficiency, behaviour change advice and micro-generation. Callers at risk of fuel poverty are offered benefits/tax credit checks and information on low-cost energy tariffs. Callers will be referred through the most appropriate scheme tailored to their personal circumstances (e.g. ECO), as well as to a wide range of additional local support. Specialists in local advice centres provide in-depth advice and guidance, for example on renewables and solid wall insulation, including home visits. An outreach programme working with trusted intermediaries provides a safety net for the most vulnerable consumers.	Scotland	Domestic. Micro-business for Green Deal only (includes business more generally)
<b>RES Advice and Support Service</b>	Zero Waste Scotland	Launched in April 2013, RES offers comprehensive information, advice and support to implement energy material resource and water efficiency measures. Online, telephone and face-to-face advice is available.	Scotland	Micro-business (all organisations, but with SMEs a particular focus, as well as third sector and public sector organisations)

There are twelve taxpayer or mandated consumer-funded energy advice schemes across Great Britain, delivered by seven key advice providers and a range of smaller providers.

In England there are seven energy advice schemes, which have arisen mostly as a result of grant funding, although there are also some elements that have been awarded funding through a competitive process and one element of co-regulation. The schemes currently include the following:

- Four schemes addressing the needs of vulnerable consumers. This includes four national helplines (HHH, EHU, ESAS and HES) and two face-to-face provisions (EBDX and BESN), one of which is an outreach service. Only the EHU supports micro-business as well as domestic consumers.
- One national general consumer advice helpline with expertise in helping energy consumers secure the best deal (the consumer service)
- One national helpline with expertise in helping consumers reduce energy use, that supports all consumers (ESAS)
- One minor national helpline providing advice on energy generation, that supports all consumers (MCS)

The provision of energy advice in Wales underwent a review a few years ago. An explicit decision was made to diversify advice provision but have a streamlined entry point for consumers. Advice provision funded via the Welsh Government now has a complex procurement framework, allowing two simple entry points for consumers and aimed at providing coordinated access to specialist advice where needed. Some grant funding is available for organisations with a closer relationship to target clients. Provision in Wales includes the following:

- One national helpline seeking to tackle fuel poverty, covering all three areas of consumer need. This supports domestic and, in particular, vulnerable domestic consumers with general advice, as well as referrals to specialist advice and practical support (Nest).
- One national helpline for all consumers, focusing on energy saving and generation. This is supported by two advice schemes, which again make referrals to specialist advice (REW and BW).

In addition to these Welsh schemes, the seven advice schemes available in England are also available in Wales.

Advice provision funded by the Scottish Government is split into two schemes. Similar to Wales, one primarily serves domestic consumers and includes assistance for those in fuel poverty, the other serves business and focuses on energy saving and generation. Unlike Wales, the schemes are grant funded. They include the following:

- A national helpline that can offer face-to-face advice on energy generation and has an accompanying outreach service (HES).
- A national helpline and face-to-face advice service supporting energy saving and generation (RES).

Six of the advice schemes available in England are also available in Scotland.

## 5.2 Accessible and visible - all those who want/need to use the service can

Awareness of the advice scheme, number of consumers using the schemes, and the organisation's policies and procedures on accessibility were used to evaluate whether all those who want/need to use the service can (see Appendix 7). A number of major advice providers failed to meet their usage targets, indicating that advice schemes may not be as visible as they should be, although face-to-face schemes fared better. Accessibility issues were rarely given the attention merited in respondents' answers, and time and eligibility constraints on calls were identified as a significant barrier to providing helpful advice. An AMBER rating is therefore awarded to schemes for their providing support to all those who want/need to use the service.

No scheme had conducted a survey demonstrating how aware consumers are of the advice scheme, although organisations such as Citizens Advice do test awareness of the organisation as a whole. However, it is important to test if consumers understand what types of support well-known brands can offer. A proxy measure – the comparison of the number of consumers using their service with the target set (usage level) – reveals that three schemes failed to meet their targets, two achieved their targets and three exceeded targets. No data was available for four of the schemes. Two of the schemes failing to meet their targets are major advice schemes in Great Britain that provide wide-ranging energy advice on the telephone only. This indicates that consumers are either insufficiently aware of the services, choose not to use them or the targets have been set too high. Interestingly, those schemes exceeding their targets are those offering intensive and face-to-face support for vulnerable consumers. This high level of use is indicative of a high level of demand for this type of support and successful promotion of its availability.

Some schemes are very new and this will impact upon the value of looking at usage levels as an indicator. HES, ESAS and BESN were by far the largest advice providers, based on the data available. The consumer service and HHH also served significant numbers of consumers. The numbers of micro-businesses using the schemes faded to insignificance next to domestic consumers, revealing either a lack of awareness of the support available or that it is unsuitable for their needs.

Responses to requests for information about how the scheme was designed specifically around the needs of vulnerable consumers produced quite a weak response overall, indicating either that respondents did not draw on accessibility policies or that such policies did not exist. That is not to say that there are no measures in place: accessible websites, minicom, textphone, large print information, information provided in a range of languages,

third-party representation, support to complete online forms, changes to cheaper 0808 numbers and interpreters featured in the responses when probed further. Most respondents also indicated flexibility on the use of different communication channels (emails, letter and telephone).

All advice is free of charge, however there are associated costs. While there is recognition of the implications of call charges, including from mobiles, there is variation in the use of helpline numbers – suggesting that not all schemes are offering the cheapest calls possible. No respondent indicated supporting customers with the costs of travelling to advice centres, although providers aimed to do this in accessible locations.

Given the legal requirements for accessibility, the requirements of scheme contracts and many schemes objectives, this is a disappointing response. The consumer service and EHU have benefited from being benchmarked against the Inclusive Service Provision British Standard by Consumer Futures (unpublished report). They performed well and are taking steps to address any shortfalls identified.

However, not captured by this standard and of significance to a number of advice schemes was the issue of time constraints on calls, often required as part of scheme contracts to contain costs. This came up in discussions as a significant restriction on providing appropriate support, especially for vulnerable consumers where a targeted, investigative approach was often required to draw out key issues and address them. Similarly, constraints on accessibility also arose from eligibility restrictions placed on schemes because they were designed to help deliver a certain Government policy. Frustrations arose if vulnerable consumers outside of these criteria could not be offered support.

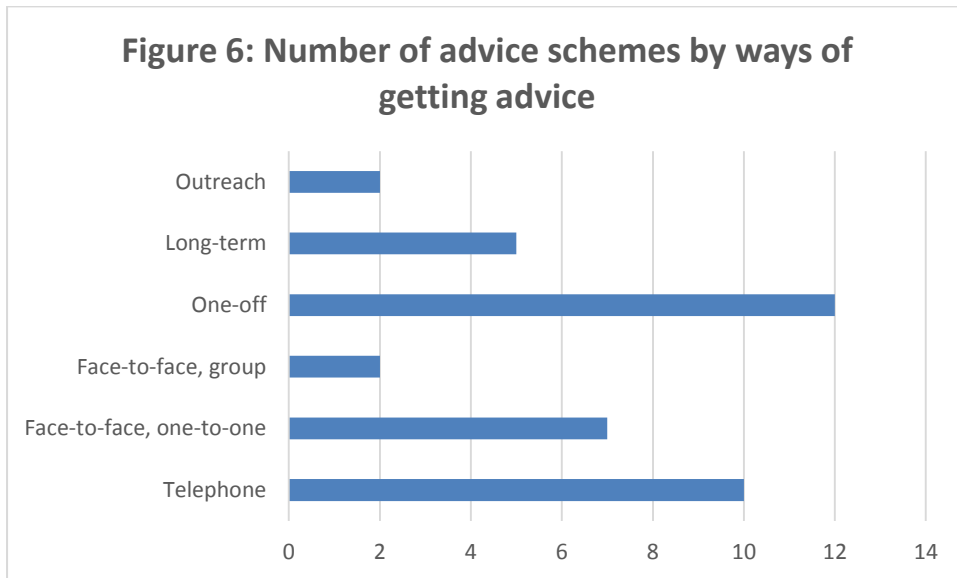
### **5.3 Comprehensive and integrated - consumers get maximum support for minimal effort**

The information request looked at the scheme remits as well as referrals and signposting both into and out of the schemes, to establish if consumers get maximum support for minimal effort (see Appendix 8). Many consumer needs are addressed by current provision but there are a number of key areas of unmet consumer need, identified by respondents and through research, that are currently outside of scheme remits. The comprehensiveness of advice provision is aided by the robust integration of some advice schemes through Government-required referral protocols, but there are missed opportunities to further smooth the consumer journey with additional referrals. Advice provision is therefore awarded an AMBER for whether consumers get maximum support for minimal effort.

There are more advice schemes catering for reducing energy use needs (nine schemes) than securing the best deal (seven). Generating energy is least well served in terms of advice provision (five).

As recommended in the evaluation of advice provision by Ofgem, there is a mix of provision but there is a strong bias towards telephone support. More than half the schemes offer

some type of face-to-face support and this is overwhelmingly on an individual basis, with only one scheme using group sessions. The availability of face-to-face advice, however, is frequently a minor part of the service, even though technically provided. There is restricted access to long-term support through these advice schemes and outreach is rare. There are indications of some practical support being provided, largely where advice schemes support a national energy efficiency installation scheme (see Appendix 9 for more details).



Both the respondents and the research identified shortfalls in a number of areas of current advice.

### **Consumer advice needs not currently catered for**

- Debt/financial assistance advice, especially face-to-face, long-term provision and practical support.
- Outreach advice to vulnerable consumers is rarely a function of advice providers, but there is evidence that advice providers are failing to support all those who could benefit.
- Specialist support for vulnerable consumers with complaints relating to energy savings or energy generation financing, installation and operation. Such advice would mirror that available now on debt and disconnection, given that the potential level of detriment could equal or exceed these.
- There is a current shortfall in impartial technical advice about energy efficiency and renewable technologies, including impartial on-site assessments, especially for micro-businesses.
- There appears to be a lack of free and impartial tariff advice for micro-businesses.
- There is generally a lack of systematic support to advisors to ensure the advice they provide is up to date with rapidly changing Government policies and company provision.

The lack of respondent information on the volume of referrals makes it impossible to aggregate findings across the schemes to identify the main flow of consumers and demonstrate how schemes are integrated. Consumers find out about advice schemes mostly through the consumer service, the internet and energy bills, but there also appeared to be active referring to other schemes. Broadly speaking, those advice schemes that seek to address fuel poverty offered the widest variety of referrals, reflecting diverse consumer needs, whereas those focused on energy saving and generation tended to refer within this advice area. Suppliers were only referred to as part of an industry-funded advice scheme or because of consumer complaints.

Other than the consumer service, organisations did not acknowledge referring/signposting to other advice providers as a result of remit constraints. This is because most schemes identified referrals/signposting to other providers as a key objective for them, and so this was not seen as a failing in provision. However, from a consumer perspective, the need to be referred may not be viewed as favourably. Some schemes have explicit referral protocols or a Memorandum of Understanding (MOU) with other advice providers, most frequently as a result of legislative requirements. Such protocols were identified as existing between:

- the consumer service and all trading standards in Great Britain/the Energy Ombudsman/all energy suppliers with over 50,000 customers/EHU
- EHU and suppliers/the consumer service/the Energy Ombudsman
- HHH and suppliers
- BW, REW and Nest had protocols between them. Presumably there are protocols between smaller advice schemes and BW and REW too, given the procurement framework
- Nest has developed a partner referral network

The existence of these protocols is a positive finding as it enhances the consumer journey and is suggestive of a well-integrated advice network. Non-required referral protocols, such as those between Citizens Advice schemes (between the consumer service, EHU and the bureaux, and between the bureaux and EBDX) help consumers access face-to-face advice, as do some referrals in the Welsh and Scottish schemes. Referral protocols with suppliers of practical assistance, such as energy suppliers and fuel poverty programme partners, also assist the consumer journey. However, there are notable omissions from the formal protocols:

- ESAS referring to other schemes; EHU has been in discussion with ESAS regarding setting up referrals but data exchange has been insufficient to facilitate this.
- Referrals between ESAS and the Energy Ombudsman/GDO.

- Referrals between EBDX (or Citizens Advice Bureaux in general) and the EHU/the consumer service would help consumers access face-to-face advice.<sup>8</sup>
- Referrals between Welsh and Great Britain-wide advice schemes.
- Referrals between Scottish and Great Britain-wide advice schemes.

One interviewee also noted that the direction of referrals is important, and indicated that both national-to-local and local-to-national referrals were important.

More referrals are likely to happen but a lack of formality to arrangements suggests potential for duplication and a more effortful journey for consumers. Referral protocols accompanied by warm transfers will further maximise support while reducing consumer effort – an issue of particular relevance for vulnerable consumers – but they come at an extra cost that Government funding may not permit. It is unclear to what degree warm transfers are used across all advice services. Energy suppliers have capacity to set up referral protocols and warm transfers with the consumer service, HHH and EHU. SMS/email reinforcement of referral information to consumers has been mooted as an alternative option for securing desired consumer responses to advice in the future.

Nest has conducted some interesting work looking at the accuracy of its referrals/signposting in order to refine its service to clients and improve the quality of the lead provided. This has led to a reduction in the volume of some third-party referrals but increased the number of successful outputs. It is not possible from this evaluation to identify if the referrals/signposts are useful. However, one way of enhancing their value is to ensure advisors have accurate information on who to refer to and when. ESAS maintain databases of ECO measures to help with referrals from their own service; of information about the energy efficiency requirements of properties; and of Green Deal providers, assessors and installers. Only the latter and a tool to evaluate what measures may be suitable for a property is in the public domain. A new pilot initiative in Scotland – Links Workers – seeks to direct consumers to local services, including energy and fuel poverty, supported by a database of local services. There are other similar pilot projects underway.

In 2014 Ofgem conducted an [evaluation of the benefits of eight energy advice services](#), and also recommended more cooperation between the schemes so that a consumer of one scheme could receive more appropriate support or advice from another scheme.

#### **5.4 Independent and impartial - the service is trusted and improves energy providers' service standards**

In order to establish whether advice provision is trusted and improves energy providers' service standards, scheme providers were asked about levels of client, industry and policy-

<sup>8</sup> Citizens Advice is currently working to standardise the consumer journey throughout all aspects of its advice services, through improving these referrals.

maker trust in the service provider and details of the procedures used to ensure independence from industry. It would appear that steps are being taken to secure independence and impartiality but levels of consumer trust are unknown. Suggestions were made that Government contracts can restrict the independence of advice and, conversely, industry schemes can have a greater impact on service standards, but there was insufficient evidence to support this. Given the lack of data, advice provision is awarded a WHITE for its independence and impartiality.

Citizens Advice (the consumer service, EHU, EBDX) was the only provider to give evidence on the first indicator – 91 per cent felt that it acts independently of Government. Five schemes stated they had procedures in place to ensure independence from industry (EBDX, the consumer service, BW, RES, MCS). These included: separate organisation; management structures; employment terms; use of independently approved tools/standards/legislation/good practice to aid impartiality and consistency; and client confidentiality. The consumer service and the EHU share trend data on consumer needs in order to drive up service standards. The Welsh Government is also striving to be very evidence-based and outcome-driven in an attempt to improve supplier and Government policies. However, the newness of the schemes makes it impossible to determine how they are currently doing.

This is a poor evidence base from which to make an evaluation of advice provision in general. Measures of trust are important as they may influence the schemes used. In Wales, the key schemes are branded as Government schemes. There is currently no evidence either way to establish whether this inspires trust differently to, say, charitable organisations. HHH is an industry-funded scheme and this could be seen to undermine trust, or alternatively it could be seen as industry doing the right thing and be welcomed. An industry-funded scheme could mean it has a greater influence over service standards. The discussions also revealed that scheme independence from Government could also be important. Where scheme activity is about promoting Government policy, it was mooted that the advice provided may not be as responsive to consumer needs.

**5.5 Expert and professional - frontline staff have the skills and knowledge necessary to identify and address clients' needs, operate with the highest standards of customer care and deliver fair decisions**

In order to establish whether the schemes operated with sufficient expertise and professionalism, they were asked about the numbers of complaints about the advice provider, satisfaction with their service and any significant quality issues identified. There was insufficient collection of data about complaints relating to the scheme's service. Interviewees report difficulties achieving the desired expertise in the sector, in particular staying up to date with Government policies and supplier initiatives, and a shortage of technical advice on energy savings and generation. For this reason, advice schemes were awarded AMBER for their expertise and professionalism (see Appendix 10).

Only three schemes reported that they collect data on complaints about their service, and four on client satisfaction. Only three schemes shared areas for improvement. It is not clear



whether this management information is unavailable or was not made available to the reviewer.

From the thin data available, complaints were low and satisfaction ranged from 86-90 per cent. EHU and the consumer service report that, in the future, their monitoring data will be split by domestic and micro-business. Given the starkly low levels of micro-businesses seeking energy advice, such a split is a positive step towards building a picture of their unmet needs.

Given the complexity of presenting issues for vulnerable consumers, it has also emerged that advisors need to be skilled in investigative questioning of consumers. The quality of recording of issues and case files is also important, given the reliance of policy-makers on data trends and the need to minimise consumer effort. While some providers were mindful of this, there were no indications of low standards in this area – more an ambition to do better still.

A number of interviewees raised concerns about the difficulty advisors had with keeping up to date with frequent policy changes and, therefore, what assistance was available to consumers. That BESN is a means of rolling out energy advice training and providing expert support to frontline workers is also indicative of the challenge energy advisors have in being both expert and professional on energy matters. Citizens Advice offer information and updates for advisers via AdviceGuide and AdviserNet, ESAS encourage the re-use of their briefing materials to support other advisors and EHU has an explicit role to support advisors (Ask the Adviser). However, this would appear to be a constant sector challenge, for which there is no coordinated structural response. Given that some advice scheme remits overlap, there is a need for, and opportunities to secure, consistent advice. For example, Citizens Advice Scotland and HES train HHH on Scottish assistance schemes.

Other interviewees have raised concerns about the patchiness of quality energy efficiency advice – particularly that concerning home energy assessments and technical expertise. In the absence of impartial expertise, consumers have to rely on suppliers for their advice needs. This problem may widen in the future unless action is taken to address it.

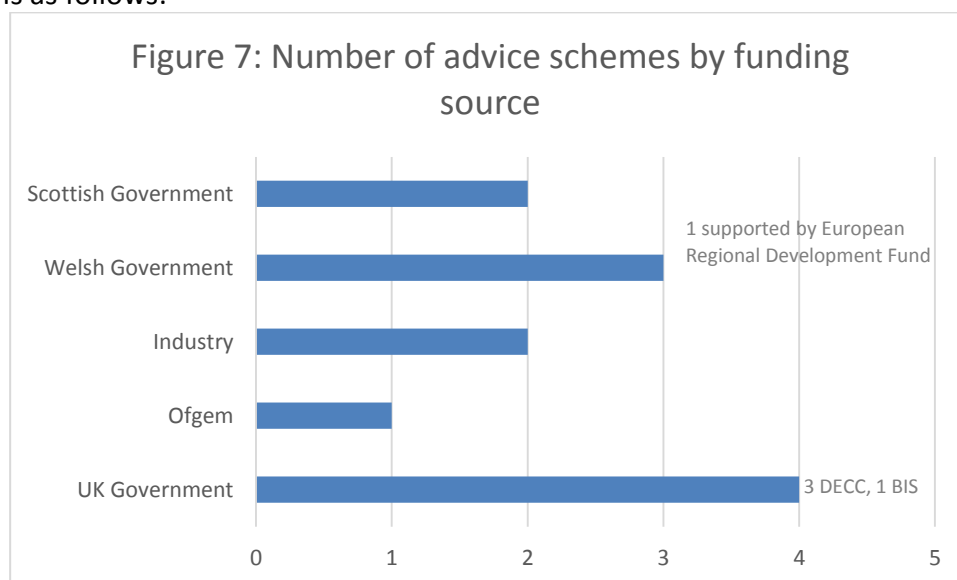
## **5.6 Adequately resourced - the service can deliver in line with need**

Providers were asked to provide details of their funding in order to determine if they were sufficiently resourced to deliver in line with need (see Appendix 11). No scheme reported a funding shortfall but some did talk of a lack of resources to offer the services they felt were needed, especially for vulnerable consumers. However, such schemes are not currently mandated. The ‘stop-start’ approach to ECO funding was also reported as problematic to manage. Overall, the schemes are awarded GREEN because they sufficiently resourced to deliver on their remits.

The introduction of competitive tendering for advice provision has meant that there were some commercial sensitivities about disclosing this information. It is difficult to reconcile these sensitivities with the understanding that all the schemes are either taxpayer or mandated consumer spend, and therefore disclosure is a matter of public interest. Where

necessary and possible, additional information about costs was extrapolated from Government impact assessments.

Funding is as follows:



Operational expenditure on energy advice in Great Britain was in the order of £21 million in 2013/14. It may in fact be less than this, as ESAS has not achieved the desired usage targets set by DECC in the original tender documents. It may also increase as BW comes more on stream and when costs for the advice components of Nest, EHU, REW and MCS are added in. For the three schemes with available information, the set-up costs of new schemes have ranged from £59k to £150k.

It would appear that a number of schemes are funded according to call volumes, with a pre-agreed cost of call set out in the schemes' contracts. For this reason, no scheme reported being under-funded. However, interviewees did mention that where call length was fixed the optimal service could not always be delivered. The reviewer got a strong sense that the providers felt that advice services supporting vulnerable consumers were under-resourced, and that face-to-face and in-depth debt advice needs are not being responded to on a sufficient scale.

## 5.7 Responsive and future-proof - the service provided/contracted aligns with consumer need

As discussed earlier, there are key areas of unmet consumer needs identified by respondents and through research, which indicates that energy advice provision is insufficiently responsive to consumer needs. Unless addressed, these gaps in provision may grow in the future as new advice needs are anticipated. The cessation of much scheme funding in the short term creates an opportunity to address this and build more responsive services, but only if there is a commitment to continue to fund energy advice provision based around consumer needs, not Government policy. There is no guarantee of funding continuing and such short-termism discourages investment by providers in service

improvements. If funding ends, then provision will be considerably less responsive to needs than currently. Advice schemes are therefore awarded RED for their ability to respond to consumer needs.

Some schemes reported that contractual constraints prohibited responsiveness, but these seems to depend on whether the contract is designed around delivering particular, narrowly defined Government schemes or whether the contract encourages a more holistic response to consumer presenting needs and facilitates a more fluid consumer-led response. The short funding timeframe of many schemes provides the opportunity for schemes to be redesigned around current and anticipated future consumer needs. Known funding timeframes include:

- HES funded on a year-to-year basis
- RES funded until 2015/16
- BESN concludes March 2015
- HHH funded to coincide with ending of WHD in 2016
- EBDX funded until April 2016.

In order to be future-proof, schemes need to be consumer-led, not driven solely to co-deliver Government policies, and need to address both current and future shortfalls identified by respondents and the research:

- Debt/financial assistance advice, especially face-to-face, long-term provision and practical support. This is a problem now. Rising fuel prices will increase demand. Suppliers are currently reviewing HHH with a view to extending this support.
- Outreach advice to vulnerable consumers is rarely a function of advice providers but there is evidence that advice providers are failing to support all those who could benefit.
- Specialist support for vulnerable consumers with complaints relating to energy savings or generation financing, installation and operation. This is already a concern but likely to be a much greater issue in the future. Such advice would mirror that available now on debt and disconnection, given that the potential level of detriment could equal or exceed these.
- There is a current shortfall in impartial technical advice and practical support around energy efficiency and renewable technologies, including impartial on-site assessments. This would already appear to be an unmet need for micro-business. This is anticipated to become more problematic for all consumer groups in the future, as energy efficiency and generation are further needed and incentivised by Governments.
- Smart metering could generate significant demand from a much wider range of consumers. Initially an advice demand increase may relate to installation issues.
- Free and impartial tariff advice for micro-businesses appears to be a gap in current provision, perhaps reflecting that there is no obligation to publish prices in the micro-business market and no duty to supply. There will increasingly be a need for

impartial advice for all consumers on navigating increasingly complex tariff options resulting from smart meters and bundling.

- There is currently a lack of systematic support to advisors to ensure the advice they provide is up to date with rapidly changing Government policies and company provision.

## **5.8 Effective and efficient - builds clients' confidence and their capacity to successfully navigate the markets for themselves while providing good value to the taxpayer**

In order to establish effectiveness, respondents were asked to provide details of their performance indicators and results against them. Evidence on efficiency was sought from evidence on cost per customer contact and identifying any duplication in the sector (see Appendix 12). Because many contracts pre-agree costs per call, effectiveness becomes very important – can schemes deliver what is needed within cost constraints? Are target call costs exceeded because call volumes are below target? Although there is potential for data improvements, there were clear indications that advice schemes delivered a net benefit and that potentially more intensive, expensive ones offered even better value for money. Advice schemes are therefore awarded GREEN for their building of client confidence and value for money.

There are clear areas of remit overlap. These could be seen as constructive – providing multiple entry points to assistance, especially where the mode of advice provision is different. It could also be viewed as inefficient and causing confusion about where to go. Given that these multiple entry points exist in all the nations, it is not possible to identify the benefits of different models. However, HES found that greater front-end integration (that is, arrangements that ensure the customer has access to all relevant assistance triggered through first contact) is an important factor in ensuring maximum benefit and minimum effort for the customer. Similarly, Ofgem's [evaluation of the benefits of eight energy advice services](#) recommends the following:

- Energy advice schemes that are less intensive in their approach develop better diagnostic tools to identify customers who are in need of more intensive support around energy use. This could be used to refer consumers to more appropriate organisations.
- Practical support can be key to more vulnerable consumers adopting advice so this should be a priority when designing advice schemes. This is especially the case where the cost-benefit appraisal conducted by consumers, when considering whether or not to change behaviour, is more marginal.

Where British Government policies have expanded advice needs, there have been clear attempts to integrate support for these within existing schemes, for example, the new ADR Referral Helpline within the consumer service or the Green Deal Helpline within ESAS.

However, care must be taken not to do this without reference to the performance and target audience of the current schemes.

Unit costs were often considered commercially sensitive and the data withheld from the reviewer. As would be logical and supported by the limited data available, it is clear that individualised, face-to-face support is more expensive to provide than group advice, and this in turn is more expensive than telephone advice – around £120 versus £56 versus £5 per customer. One unpublished evaluation demonstrated that advice resulting in customers achieving more key outcomes is much more expensive because it involves considerable practical support from advisors. However, there were sizable net gains from this advice.

There is remarkably little data on scheme performance in the public domain. Given the funding models of these schemes, such information is a matter of public interest. Annual reports tend to report on the performance of a range of funded activities of providers as if they are one, so it is not possible to isolate the performance of one funded scheme. As the Energy and Climate Change Select Committee stated, *'The robust tracking of outcomes will be essential to the ongoing formative improvement of service delivery and effectiveness.'*

KPIs or service level agreements may be made with Government departments and are more detailed than annual reports. However, those made available to the reviewer reveal little consistency in approach, vary in terms of how probing they are, and very few are focused on consumer outcomes. One-off evaluations are more focused on consumer outcomes but are not routinely built into scheme funding. Nest is one notable exception to outcome-based, publicly available performance monitoring, but even then, reporting does not permit consistent trend analysis. For one advice scheme, DECC has included requirements that where performance falls below minimum service level agreements, the scheme provider may be required to make repayments. This is an interesting tool for driving effective service so long as the service level agreements are targeted on appropriate outcomes.

The diagram below summarises the range of indicators used in advice scheme KPIs, service level agreements and one-off evaluations. They fall into four types – consumer outcomes, accessibility, integration and continual scheme improvement.

## Advice scheme performance indicators

### Continual improvement

Contacts and files monitored are categorised as 'good'

Overall service partner satisfaction

Complaints

Data completion

% of quality and performance reviews late

Insights provided into operation of government policy and supplier practices (e.g. areas of consumer confusion, barriers to action)/reason for contacting the service (categorised as consumer needs, not into government schemes)

### Accessibility

Service use – both number of contacts AND number of individual users are helpful

Average call handle time

Scheme targeting – profile of scheme users – consumer type (target group and beyond), geography

Contact centre availability, Mon-Fri, 9am-5pm

Customer wait time (from end of recorded message)

Abandonment rate (from 5 seconds after Interactive Voice Response (IVR))

Online form response time (from receipt)

### Consumer outcomes

Conversion of advice into action – % taking subsequent action and what actions these were (e.g. light bulbs, change tariff, ECO application, benefit application). N.B. This is preferable to asking if consumers are likely to action.

Referral accuracy – what is the rate of conversion of referrals into action?

Consumer income/detriment gearing – £ saved (annually/over lifetime of measures) to £ spent (e.g. potential annual household income increase + bill saving identified vs unit cost of advice). This has been done using OFT/CTSI consumer detriment methodology. Completed separately for different modes of advice.

% climate change impact (tonnes of CO2 saved over lifetime of measures)

% consumers considering issues resolved

% customer satisfaction – overall/ for particular service elements/ for different target consumers

% consumers feeling informed/empowered by advice

### Integration

Referrals – number of referrals by party

Source – how users heard about the service – number by source

Mid-call/warm transfers – volume and to whom

These findings and use of indicators provide useful learning points for all Governments, but are perhaps especially timely for the Welsh Government. Their procurement framework includes research and evaluation, and an assessment framework is currently under development. It can also inform the evaluation of EBDX, which is being built into its new round of funding.

It is challenging to provide an overview of performance in the sector, given the variability of the rigour of assessment and gaps in the data available. However, the evidence available does suggest that advice schemes are providing a net benefit to consumers. Also, more intensive schemes and those offering an initial point of contact that is well integrated into other forms of support, while being more expensive to operate, can deliver the greatest consumer benefits. Other findings include:

- Two schemes (telephone and multi-modal) reported an £11 and £4 saving for every £1 spent. The lower end of the range reflected the performance of an entire fuel poverty scheme.
- Conversion to action was 72 per cent for one face-to-face advice scheme and 5 per cent for a telephone service. There are, of course, a number of barriers to conversion within the assistance scheme, especially for energy efficiency measures and renewables, but hand-holding would seem to support conversion rates.
- One scheme reported an average of £2k potential income increases per household.
- One scheme reported referral accuracy ranging from 11-32 per cent for schemes operating with strict eligibility criteria.
- One telephone advice service met its performance targets but only 19 per cent of consumers considered their issues resolved.
- Customer satisfaction or consumers regarding the service as helpful/informative/empowering, as measured in three schemes (telephone, face-to-face and multi-modal), ranged from 73-97 per cent.
- A number of schemes failed to meet their user volume targets.

These findings are supported by Ofgem's [evaluation of the benefits of eight energy advice services](#). All national and local services offered some kind of energy efficiency, finance and tariff advice, and some provided hands-on support with equipment. The advice services have a range of benefits for fuel-poor consumers, including:

- warmer homes (with additional health benefits)
- financial benefits
- greater peace of mind
- confidence in controlling usage.

## 5.9 Transparent and accountable - advice/redress providers seek to continually improve their service standards

As already indicated in discussions of funding, remit and performance monitoring, the transparency and accountability of many advice schemes has been found to be poor. Most providers have information on their websites about the advice they provide but these do

not resolve these shortfalls. A legislative underpinning to advice schemes should help clarify their status and objectives, and is therefore considered to provide a further spur to providers continually improving their service standards. It also makes Governments and the regulator accountable for their approach to funding energy advice. However, because schemes are largely lacking transparency, they are awarded RED.

Most advice schemes have clear legislative underpinning or are directly referenced in Government policy. The work of the consumer service and EHU is perhaps the most accountable, since their remit and integration with suppliers and other schemes is set out both in primary and secondary legislation. The HHH also has regulations underpinning its work and MCS has become a co-regulatory scheme. ESAS, EBDX and BESN have no direct legislative underpinning, making their work the least transparent but also conversely enabling them to be more responsive – their remits can change without having to conform to pre-determined requirements. Schemes in Scotland and Wales are underpinned by clear policy statements, again affording a level of public accountability for the work they do. This is detailed in Figure 8.



**Figure 8: Legislative underpinning of energy advice schemes**

Advice initiative	Underpinning legislation
<b>Great Britain and England only</b>	
Citizens Advice consumer service	The <a href="#">CEAR Act 2007</a> gave the consumer service responsibility for consumer and energy advice. Energy supply licence conditions require suppliers to work with the consumer service to support consumers. The <i>ADR Directive</i> drove the setting up of the ADR Referral Helpline/complaints helpdesk, although it is not a specific requirement.
ESAS	The <i>Energy Act 2011</i> makes provision for the Green Deal and GDO, although not specifically advice. Legislation on ECO also does not make specific reference to advice, although this can support the delivery of energy saving measures.
HHH	The initiative is funded as part of suppliers' obligations under the WHD – the <a href="#">Warm Homes Discount</a> (Amendment) Regulations 2014 and the Regulations of 2011. Advice is a type of non-core spend to support low-income and vulnerable households.
EHU	Section 12 of the <a href="#">CEAR Act 2007</a> relates to dealing with designated vulnerable consumers and Section 13 refers to consumers who have been disconnected. Referral guidelines are in place for the consumer service and OSE. <a href="#">The Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008</a> require suppliers to have arrangements in place to deal with vulnerable consumer complaints from the EHU appropriately and promptly.
EBDX	
BESN	
MCS Helpdesk	DECC's 2011 Micro-generation Strategy has given regulatory underpinning to the minimum MCS requirements for the installation of micro-generation products. The MCS Mark is owned by the Secretary of State.
<b>Wales</b>	
Nest	The Welsh Government's 2010 <a href="#">Fuel Poverty Strategy</a> , but this does not constitute legislation.
REW	The Welsh Government's 2012 <a href="#">Energy Wales: A Low-Carbon Transition</a> , but this does not constitute legislation.
BW	The Welsh Government's 2011 <a href="#">Programme for Government</a> , but this does not constitute legislation.
<b>Scotland</b>	
HES	The <a href="#">Climate Change Act Section 60</a> places a duty on Scottish Ministers to promote energy efficiency, including the publishing of a plan to promote energy efficiency and improve the efficiency of living accommodation. <a href="#">Home Energy Efficiency Programmes for Scotland 2012</a> includes a national advice line supporting the delivery of practical assistance.
RES Advice and Support Service	The <a href="#">Climate Change Act Section 60</a> places a duty on Scottish Ministers to promote energy efficiency, including the publishing of a plan to promote energy efficiency and improve the efficiency of living accommodation. In 2010, the Government published <a href="#">Conserve and Save: Energy Efficiency Action Plan</a> .

## Chapter 6

# An assessment of the adequacy of current redress provision

*This chapter assesses the performance of energy redress schemes against the eight outcomes set out in the assessment framework. Four schemes are reviewed: Ombudsman Services: Energy (OSE), GDO, RECC and MCS. Their performance against the framework is poor.*

<b>Delivery principle</b>	<b>Outcome</b>	<b>Adequacy of energy redress schemes</b>
<i>Accessible &amp; visible</i>	<i>All those who want/need to use the service can</i>	
<i>Comprehensive &amp; integrated</i>	<i>Consumers get maximum support for minimal effort</i>	
<i>Independent &amp; impartial</i>	<i>The service is trusted and improves energy providers' service standards</i>	
<i>Expert &amp; professional</i>	<i>Frontline staff have the skills and knowledge necessary to identify and address clients' needs, operate with the highest standards of customer care and deliver fair decisions</i>	
<i>Adequately resourced</i>	<i>The service can deliver in line with need</i>	
<i>Responsive &amp; future-proof</i>	<i>The service provided/contracted aligns with consumer need</i>	
<i>Effective &amp; efficient</i>	<i>Builds clients' confidence and their capacity to successfully navigate the markets for themselves while providing good value to the taxpayer</i>	
<i>Transparent &amp; accountable</i>	<i>Advice/redress providers seek to continually improve their service standards</i>	

## 6.1 Overview of provision

There are two mandated and two key Government or regulator-endorsed energy redress providers in England, Wales and Scotland. OSE and GDO are mandated but membership of RECC or MCS is not obligatory for providers. DECC has sought to encourage membership of these schemes through making it a pre-requisite for access to Government financial incentives. Currently three of the schemes can make legally binding awards and the remaining scheme is currently considering extending its service to include this.

The redress schemes are described in Figure 9.

**Fig. 9 Redress providers in England, Wales and Scotland**

Redress scheme	Delivery organisation	Activity	Geographical coverage	Target consumer groups
OSE	Ombudsman Services	<p>OSE is the only statutory scheme appointed by Ofgem to settle disputes between energy companies and consumers about energy supply and distribution issues. These include billing (including collection of the Green Deal charge), switching, sales, distribution, micro-generation and FIT applications, and ECO. Consumers can seek redress from OSE if they consider the company has failed to respond adequately to the complaint within 8 weeks.</p> <p>OSE has the power to recommend legally binding financial awards of up to £10,000. All energy companies are obliged to signpost consumers to the redress scheme if they are not happy with the resolution of their complaint.</p>	Great Britain	Domestic and micro-business
GDO & Investigation Service	Ombudsman Services	<p>Appointed by DECC in June 2012 to receive and investigate complaints regarding the supply or provision (or failure to supply or provide) certain Green Deal services. Green Deal providers, assessors (e.g. assessments made, advice given), installers and issues that may arise from taking up the scheme (e.g. where a new property owner is unaware a Green Deal plan is attached) are in scope.</p> <p>Where appropriate, GDO can provide remedies and redress that seek to put the complainant back to a situation in which no problem had occurred.</p>	Great Britain	Domestic and micro-business
RECC	Renewable Energy Association sub-contracts to the Independent Dispute Resolution	<p>RECC is an industry-led standards organisation covering the sale and leasing of small-scale heat and power generating renewables (i.e. micro-generation). The scheme seeks to maintain standards of sales and post-sales practices, including advertising, selling and maintenance of renewables. Its standards of service are backed by the Chartered Trading Standards Consumer Institute's Consumer Code – a form of facilitated self-regulation or co-regulation.</p> <p>RECC encourages members to resolve complaints directly with domestic</p>	UK	Domestic and micro-business

Redress scheme	Delivery organisation	Activity	Geographical coverage	Target consumer groups
	<p>Service (IDRS) to provide independent conciliation and arbitration services for domestic consumers, and to CEDR Solve to provide arbitration for small commercial consumers</p>	<p>consumers. Failing this, RECC complaint handlers mediate between the consumer and member. Consumers or members then have a right to pursue complaints further through an independent conciliation service. Conciliation decisions are not binding. Independent arbitration is also available, should conciliation fail, although it may be available to some consumers without prior conciliation attempt.</p> <p>The standards of service in the Code do not apply to micro-businesses but a separate independent arbitration scheme is also newly available to small commercial consumers. An award made under both arbitration services will be final and binding on both the consumer and the member.</p> <p>Awards of up to £25,000 can be made.</p>		
<b>MCS</b>		<p>MCS is a trade body seeking to maintain the technical standards of micro-generation products and their installation. It oversees the approval of micro-generation products and installers by third-party certification bodies (around 12 and 10 respectively) and manages a standardised complaints service for these issues, underpinned by UK Accreditation Service rules. This is voluntary for members and does not currently include any independent conciliation or arbitration service, although an arbitration service has recently been consulted on with awards of up to £200,000 possible. Currently an upheld complaint can only result in suspension or removal of certification status. Membership of RECC is a requirement for membership of MCS if micro-generation installers wish to work with domestic consumers.</p>	UK	Domestic and micro-business

## 6.2 Accessible and visible - all those who want/need to use the service can

Awareness of the redress scheme, the number of consumers using the schemes and the organisation's policies and procedures on accessibility were used to evaluate whether all those who want/need to use the service can (see Appendix 13). Up to three-quarters of consumers are reportedly aware of the redress schemes, but with around 43,000 complaints between them in 2014, this awareness may not be translating into use and many of the contacts made with redress schemes demonstrate that they are being approached erroneously. Insufficient support for vulnerable consumers may be a barrier to accessing some schemes, but perhaps more significant may be the cost:reward ratio of pursuing a complaint. A lack of data means that schemes have not demonstrated they are accessible to all consumer groups, although there are indications that micro-businesses are not using the schemes in the proportions expected. As a result, the reviewer has awarded redress schemes an AMBER for ensuring that all those who want/need to use the service can do so.

Research conducted by Ofgem in 2013 found that 34 per cent of domestic consumers and 27 per cent of micro-business consumers did not escalate their eligible complaints to OSE because they were unaware of an independent energy ombudsman. OSE will continue to work to raise its profile, including through suppliers' communications (these account for 41 per cent of referrals to OSE). However, based on past usage trends, the greatest awareness-raising opportunities seem to be spikes in poor company practices, which are accompanied by media coverage referring to the ombudsman. More work also needs to be done on improving consumers' understanding of what OSE can offer – in 2013/14 OSE reportedly received 87,452 contacts but 69 per cent were outside of their terms of reference.

Awareness levels of GDO are in part dependent on awareness of OSE, as it is not branded separately and has the same telephone number – a pragmatic step to build on existing brand awareness and simplify access for consumers, and a step towards the umbrella ADR approach proposed by BIS. However, in practice, usage levels are barely out of single figures (in contrast to initial targets) and any problems experienced by OSE in raising its profile will also taint GDO.

In 2013, RECC found that 23 per cent of respondents were unaware of a relevant complaints procedure. Indeed, the 1,301 complaints made to RECC form only a tiny proportion of installations, especially when we consider that 25 per cent of all RECC members have received at least one complaint. One-third of requests for complaints assistance fell outside of RECC's remit, demonstrating a lack of awareness of its services and/or support for these consumers.

MCS does not conduct awareness surveys. There were only 199 complaints made in 2014, which contrasts with the 160,000 installations registered with MCS.

The OSE seeks to ensure that its services are accessible to a wide range of consumers and has put in place an equality and diversity strategy that includes measures such as an 03 telephone number, TypeTalk, interpreters and third-party representation. GDO did not supply a response to this part of the information request but we assume it offers the same

measures. Both RECC and MCS cite offering third-party representation (including dealing with Trading Standards and Citizens Advice) and supporting complaint form completion. However, this less sophisticated support for vulnerable consumers is a concern, especially given that both organisations stated that vulnerable consumers are the most likely targets of poor service in the micro-generation sector and the scale of detriment is considerably higher than that dealt with by OSE. Their primarily online model of complaint handling is a trend reflected more widely in ADR provision, and is one that may serve to exclude vulnerable consumers. The complexities of micro-generation also mean that the demands placed on consumers to articulate and evidence the problem they are experiencing can hinder complaint progression. No schemes identify vulnerable consumers in their data so it is not possible to understand the extent of these issues. RECC uniquely reports on usage levels for micro-businesses and finds that only 1 per cent of complaints are from these consumers.

Also of significance to consumers' access to the service is the cost:reward ratio for pursuing a complaint. Complaints via the OSE require up to eight weeks of negotiation with companies prior to engagement with the redress scheme, which takes, on average, a further six weeks for an average compensation of £100. Complaints to RECC may be more compelling – average awards are £8,000 – but this must follow negotiations with suppliers, negotiations via RECC's complaint handlers, the conciliation process, and then up to eight weeks of RECC's arbitration process. And domestic consumers are required to pay £100 plus VAT, and micro-businesses £200 plus VAT, in order to proceed. The *ADR Directive* permits (but does not define) 'nominal fees', and the Chartered Trading Standards Institute's Consumer Codes Approvals Scheme does not consider these fees (which are refundable if the consumer is successful) to be excessive. BIS has not yet issued guidance on this. However, these fees, on top of the time and effort invested, may be a deterrent to many. MCS plan to charge anything from £100 to £350 plus VAT.

### **6.3 Comprehensive and integrated - consumers get maximum support for minimal effort**

The information request looked at the scheme remits, as well as referrals and signposting both into and out of the schemes, to establish if consumers get maximum support for minimal effort. The distinctions between energy redress scheme remits on some issues are subtle and likely to generate confusion. While there are some attempts to integrate schemes through referrals and collaboration, this has been insufficient to produce a streamlined consumer journey, especially where complaints cross scheme remits. It is likely that the effort required of consumers to follow up on complaints may be a deterrent to doing so. The ADR Referral Helpline will not resolve this as it can only help with signposting. Gaps in provision have also been identified, which will leave consumers unprotected. As a

result, the reviewer has awarded redress schemes a RED on their delivery of maximum support for minimal effort.

The remits of the redress schemes appear to be based around the structure of the energy sector or technical expertise, and not consumer experiences. Micro-generation and Green Deal complaints potentially cross the remits of some or all of the energy redress schemes and the Financial Ombudsman Service. The potential for crossover between RECC and MCS is also high. However, some attempts have been made at integration, with some MOUs existing between schemes.

DECC initially proposed expanding OSE's remit to encompass the Green Deal. But with DECC ruling this option out, the next best option – the integration of a new ombudsman within OSE providing one point of entry for consumers to what is two discrete redress schemes – was implemented. This reduces the effort consumers need to put into having their complaint resolved, especially if it crosses both scheme remits. This integration is aided by the schemes having the same provider, as is endorsed by the Cabinet Office. However, it is critical that this single provider's performance is adequate and that robust steps are taken to drive up standards or tender for alternatives if there is under-performance.

RECC currently awaits the results of MCS' complaint process before proceeding with elements of complaints that fall within their remit. MCS work is prioritised as there are potential safety risks for consumers. RECC will also not proceed if OSE or Financial Ombudsman Service are actively investigating the complaint. RECC occasionally offers arbitration support to consumer complaints that cross both organisations' remits but this is not a formal arrangement. There are missed opportunities to align complaints processes, for example, on the timescales for seeking redress and the provision of arbitration. MCS is looking to establish its own arbitration process and so will plug a current gap in the availability of legally binding redress, and enable compliance with the *ADR Directive* (for domestic consumers only). Unlike RECC (and as encouraged by DECC), this will look to give consumers a choice of arbitration providers. Adoption of RECC's scheme was rejected on the grounds that it restricted consumer choice, but the rationale for this approach is not tested in their [consultation](#). Given a demonstrable need for collaboration on complaints, it is difficult to see how MCS' proposed approach is optimal for consumers. The following are important considerations:

- Choosing a different approach to RECC forces consumers to use two redress schemes sequentially where the complaint crosses RECC and MCS remits. This represents a missed opportunity to improve the consumer journey.
- Whether the redress needs of micro-businesses are sufficiently different from domestic consumers to merit an arbitration service that is non-compliant with the *ADR Directive*.
- Do consumers want a choice of arbitration provider? Does it increase trust? Or do consumers want to be assured that those handling their complaint can be trusted because an independent organisation has vetted them?
- If the performance of arbitration providers is unavailable to consumers or they are disinterested in reviewing them, how will they make informed choices? How will uninformed choices improve arbitration standards? If choice does not improve standards, what is its purpose?



- Having multiple providers risks increasing inconsistencies in decision-making and reducing opportunities to identify trends and inform continuous improvement, unless the schemes share rules and standardise data collection.

The response to the request for information on referrals was largely anecdotal, making it difficult to assess how integrated the schemes are in practice. The OSE did not cite any organisation other than suppliers in its top five sources of referrals into their scheme. They did not provide data on signposting, although [Ofgem's independent review of OSE](#) recommended that more information should be collected on signposting to and from OSE. However, we do know that in 2013/14, 69 per cent of complaints received were outside of OSE's terms of reference but only 11 per cent of these were for reasons other than the complaint reaching them prematurely. They do not do warm transfers (that is, transferring a consumer directly while on the phone) to other organisations. MCS indicated ESAS, Ofgem and energy suppliers as sources of referrals into their organisation. RECC stated that 18 per cent of their complaints were redirected to MCS in 2014. MCS state they refer out to RECC, Trading Standards and Citizens Advice if complaints are outside their remit. GDO reports signposting to FOS.

The subtleties of the schemes' remits are insufficiently exposed in publicly available information. However, the research and especially interviewees led to the identification of no redress provision for a number of areas.

### Consumer issues for which there is no legally binding redress

- Off-grid consumers who use Calor gas and oil for heating.
- Domestic and non-domestic RHI application complaints.
- Additional services not operated directly by the supplier and sometimes sold as a bundled offer with energy tariffs (for example, boiler cover).
- Third-party energy brokers. This is particularly relevant to micro-businesses. These issues are not captured by FOS either.
- All consumers experiencing poor Green Deal provider conduct prior to a Green Deal payment plan being put in place. This means protection from poor assessments and advice and mis-selling is weak but also post-sales issues may arise if a consumer decides to pay outright for the measures. Some trade bodies may offer redress as part of the terms of membership but this creates a convoluted route for consumers.
- All consumers from micro-generation product and installation problems, although MCS is looking to address this gap. MCS has set the compensation claim bands ranging from up to £25,000 to a maximum of £200,000 indicating this is a potentially sizable area of detriment (although this does capture large non-domestic consumers too).
- Micro-businesses from poor micro-generation sales and post-sales practices.
- All consumers from poor micro-generation assessors, suppliers, installers and products that are not accredited by or members of MCS and RECC. In 2013, RECC found that 15 per cent of complaints made to RECC were about non-members.
- Installations/complaints falling outside of scheme timelines. This is only problematic where timescales do not comply with consumer legislation, the statute of limitations or where this notice period is insufficient for a detection of the problem.
- Support for vulnerable consumers to submit technically complex complaints.

## 6.4 Independent and impartial - the service is trusted and improves energy providers' service standards

In order to establish whether redress provision is trusted and improves energy providers' service standards, scheme providers were asked about levels of client, industry and policy-maker trust in the service provider, and details of procedures used to ensure independence from industry. No scheme conducted trust surveys. All had taken measures to ensure independence and, with the proposed improvements to MCS, the reviewer considers the schemes merit a GREEN for their independence and impartiality but this is brought to an AMBER based on current provision. No evidence was provided of the schemes raising consumer service standards through reporting and addressing systemic issues. For this reason, the schemes are given an AMBER overall for this outcome.

All schemes said they ensured independence through the following mechanisms: separate organisation; management structures; employment terms; use of independently approved tools/standards/legislation/good practice to aid impartiality and consistency; and client confidentiality. However, MCS does not currently have an independent redress scheme in place and its remit extends to providing support to installers and product manufacturers, weakening its claims of independence. The provision of independent accredited arbitration, like RECC, will help strengthen its independence. RECC's provision of arbitration services for micro-businesses is positive but, since the service standards do not apply to non-domestic consumers, it is unclear what is informing adjudicators' decisions.

Other measures have also been taken by some schemes to enhance independence and so scheme trust. RECC has approval of the Chartered Trading Standards Institute's Consumer Codes Approval Scheme, lending extra credibility to its work. OSE has [rules](#) to safeguard and maintain the independence of the Chief Ombudsman. OSE is also a member of the Ombudsman Association, which sets rules and promotes independent complaint resolution in the UK, and the National Energy Ombudsman Network (NEON), a European association whose members operate as independent, national ombudsman schemes in the energy sector. The Ombudsman Service Ltd is a not-for-profit organisation, which means that Ombudsman Services has no shareholders and does not pay dividends. These ways of operating are likely to also apply to GDO but it did not respond to this request for information.

In 2010, [Ofgem's independent review of OSE](#) found that it had failed to report back on systemic failures in the market and potential licence breaches, and recommended that more performance and complaints data should be put in the public domain. In 2015, the reviewer could find very little information about the complaints received – less than for RECC. As trade schemes that set and maintain standards, RECC and MCS are in a stronger position to

directly influence suppliers, but again no evidence has been provided to demonstrate their impact on consumer service. The reviewer could not find any data on the MCS website about complaints and the actions taken.

### **6.5 Expert and professional - frontline staff have the skills and knowledge necessary to identify and address clients' needs, operate with the highest standards of customer care and deliver fair decisions**

In order to establish whether the schemes operated with sufficient expertise and professionalism, they were asked about the numbers of complaints about the advice provider, satisfaction with their service and any significant quality issues identified. Redress schemes provided little evidence to enable a robust view to be taken on this so schemes are awarded WHITE to indicate a judgement could not be made on their expertise and professionalism, although there are indications of some problems with OSE's adequacy in this area. The lack of data collection in this area impedes redress providers' ability to demonstrate the value of, and improve, their service.

In 2010, [Ofgem's independent review of OSE](#) identified two relevant actions required to meet the Ofgem set criteria: improved forecasting of staffing and funding requirements, and further arrangements to secure quality assurance – in particular for decisions. In 2014, OSE began recording complaints about their service and are piloting a team to manage this. 980 complaints were made about their service, 66 per cent of which were upheld as a result of internal investigations. The majority of complaints related to untimely or no responses and administrative errors. RECC and MCS did not have data on this but MCS does make public how dissatisfied consumers can take their complaint to other parties.

Only OSE collected consumer satisfaction data. 67 per cent were satisfied (47 per cent very satisfied and 20 per cent satisfied). Without comparative data from other schemes and trend data, it is difficult to interpret this other than to say a sizable minority of OSE users are dissatisfied.

RECC arbitration providers are accredited. It is not clear if MCS will be adopting this approach; it states that it will require providers to self-declare that they meet scheme requirements. Unless properly vetted, this risks the expertise and professionalism of the service.

### **6.6 Adequately resourced - the service can deliver in line with need**

Providers were asked to provide details of their funding in order to determine if they were sufficiently resourced to deliver in line with need (see Appendix 14). No scheme reported a funding shortfall but, given that complaints can spike quickly, there is a need for all schemes to have sufficient reserves to manage these. The reviewer awards a GREEN to adequate resourcing, based on current levels of complaints.

It is estimated that around £11 million was spent on energy redress in 2013/14, funded primarily by consumers, either directly from complainants or via energy providers. DECC – and therefore taxpayers – are part-funding the first two years of GDO in addition to Green Deal providers, although with so few cases the level of expenditure anticipated in the impact assessment (£1.6 million) is likely to be considerably less and the estimate given reflects this. The majority of this funding supports the work of the OSE (£10.534 million), reflecting that they manage the greatest proportion of complaints. Set-up costs for GDO were estimated to be £300,000 and MCS only £150,000 in 2008.

All providers currently or plan to (in the case of MCS and GDO) fund their services through a subscription and case fee to energy providers. Ombudsman Services charge more for more complex cases, as MCS plan to, and RECC charges a flat fee. RECC currently and MCS plans to also charge complainants for access to arbitration – about one-third of the actual cost. OSE's experience demonstrates that case fees are an insufficient means of ensuring that redress schemes can maintain adequate levels of resourcing, and that a financial and staff surplus is required to enable rapid responses to peaks in demand.

In 2010, [Ofgem's independent review of OSE](#) found that the quality of OSE's decision-making and speed of response was undermined by challenges in managing resources with fluctuating workloads. The review recommended a KPI on forecasting performance. In 2013/14, OSE reports that its cashflow is in a strong position with a very prudent approach to retaining surplus for risks. No other scheme reported on the level of their resources but declared there were sufficient resources. OSE also works proactively with 'Big Companies' on a forecasting system that forms the foundations of its recruitment strategy, with a flexed labour strategy to increase/decrease heads coverage by plus/minus 30 per cent, should the business require this at very short notice.

## **6.7 Responsive and future-proof - the service provided/contracted aligns with consumer need**

The schemes are not consistently meeting the *ADR Directive's* timescales for resolving disputes and handling cases that fall outside of their remit. As discussed earlier, there are also key areas of unmet consumer need, which together indicates that energy redress provision is insufficiently responsive to consumer needs because of remit (as opposed to resource) constraints. Unless addressed, these gaps in provision may grow in future as new redress needs are anticipated. The reviewer awards redress schemes RED for their alignment with consumer need.

The *ADR Directive* requires redress schemes to resolve disputes within 90 days of receipt of the complaint file and inform cases within three weeks if they fall outside of remit. Based on the information available, the latter target is met best. All schemes going forward should collate this data and achieve full compliance.

**Figure 10: Scheme compliance with *ADR Directive* responsiveness targets**

Redress scheme	% of disputes concluded within 90 days	% of cases outside of remit that are informed within 3 weeks
OSE	95% (2014)	100% (2014)
GDO	Nil	Nil
RECC	100% (2014)	Nil
MCS	69% (Aug 2012-Dec 2014)	100% (2014)

While the *ADR Directive* does not set out other responsiveness targets, the variation in the target timescales across the schemes is noteworthy. For example, RECC requires a complaint to be made within three months of noticing the problem, MCS within two years of installation, and OSE a year from the initial problem. OSE and GDO put a backstop of eight weeks on attempts to resolve matters with suppliers but MCS allows twelve weeks. RECC’s arbitration process for domestic consumers is around 60 days, but for micro-businesses it is half that.

The *ADR Directive* requires that consumers have a minimum of one year to submit their complaint to the redress scheme, following their complaint to the supplier.

Not all elements of the complaints procedures have timescales set out for consumers, such as RECC’s complaint handling, which is a precursor to conciliation or arbitration. It is not clear if the requirement for complaint handlers’ involvement in addition to conciliation would place RECC’s complaints procedures beyond 90 days, however, it is highly probable that the combination of MCS and RECC’s procedures would exceed 90 days. It is also not clear whether, in the case of RECC and MCS, that if payment is due this falls within the 90-day target.

The very poor use of OSE by those eligible indicates that the way redress is currently offered does not align with consumers’ needs.

RECC’s addition of an arbitration scheme for micro-businesses is a result of it responding to a perceived gap in existing consumer protection.

In order to be fit for future consumers, schemes need to be consumer-led and not driven solely to co-deliver Government policies. They also need to address both current and future shortfalls identified by respondents and the research. Taking this into account, the following future shortfalls were identified:

- Off-grid consumers who use Calor gas and oil for heating. It is anticipated that this will become more problematic as the new RHI will result in these consumers being targets for hard selling and mis-selling.
- Domestic and non-domestic RHI application complaints may grow as the scheme develops or not be an issue if the incentive is removed.
- Additional services not operated directly by the supplier (such as boiler cover); the adding on of non-core services is a trend that is likely to increase.
- Third-party energy brokers – this is particularly relevant to micro-businesses. These issues are not captured by FOS either, and with concerns about current switching sites and activity in other sectors, this service may also be targeted more at domestic consumers.
- All consumers who have received poor service from Green Deal providers prior to a Green Deal payment plan being put in place. If the policy is retained this may become a growing issue, especially if consumers proceed with installations off-plan.
- All consumers who have had micro-generation product and installation problems, although MCS is looking to address this gap. MCS has set the compensation claim bands ranging from up to £25,000 to a maximum of £200,000, indicating this is a potentially sizable area of detriment (although this does capture large non-domestic consumers too).
- Micro-businesses who have experienced poor micro-generation sales and post-sales practices.<sup>9</sup> This is likely to become a greater issue if demand for micro-generation grows, which is likely if Government financial incentives are retained and added to.
- All consumers who have been given poor service by micro-generation assessors, suppliers, installers and products that are not accredited by or members of MCS and RECC. This is likely to become an increasing issue.
- Installations/complaints falling outside of scheme timelines. This is only problematic where timescales do not comply with consumer legislation, the statute of limitations, or where this notice period is insufficient for a detection of the problem.
- Support for vulnerable consumers to submit technically complex complaints. This gap becomes particularly problematic as smart meters, energy efficiency and micro-generation solutions become more technically complex.

After the research was completed, in March 2015, Ombudsman Services were appointed to manage [Heat Trust](#) as the ADR scheme for district heating schemes, building capacity for responding to associated problems.

## **6.8 Effective and efficient - builds clients' confidence and their capacity to successfully navigate the markets for themselves while providing good value to the taxpayer**

<sup>9</sup> Although RECC newly offers an arbitration scheme for micro-businesses, its standards do not apply. It is unclear what rules the scheme is applying in its decision-making.

In order to establish effectiveness, respondents were asked to provide details of their performance indicators and results against them. Evidence on efficiency was sought from evidence on cost per customer contact and identifying any duplication in the sector. The data submitted was not comprehensive but what was available indicated RED for effectiveness and efficiency. There is considerable scope for improvement on the indicators used and data publicly available on the impacts and costs of the schemes (see Appendix 15).

The effectiveness of the schemes is in part determined by the nature of redress that they can require suppliers to make. OSE can make legally binding financial awards up to £10,000, as well as non-financial awards. RECC can also make legally binding awards as part of its arbitration scheme of up to £25,000. Its complaint handling and conciliation services, while helpful, are considered to be less effective as they do not have legal underpinning. MCS cannot currently make legally binding awards, undermining its effectiveness. The introduction of an arbitration scheme will make it more effective and may make awards up to £200,000. It is not possible for the reviewer to determine if these levels are appropriate.

The data provided by redress providers to evidence their effectiveness was limited overall but RECC stood out for its comprehensiveness and transparency, although some data related more broadly to the effectiveness of all the services provided by RECC, not just complaints resolution. Even with limited data, there is strong evidence to suggest that OSE is not performing optimally. In 2013, only about 5 per cent of consumers eligible to use OSE did so, and in 2014, 69 per cent of those who did contact the scheme were ineligible. This compares with a third of RECC's contacts being ineligible. Some 19 per cent of OSE's complaint resolutions are exceeding its service level agreements for processing time, and there is a pretty even split between complaints reaching a mutually acceptable settlement and those subject to OSE's decision.

There has been too little use of GDO to form a view on its effectiveness, although this may itself be an indicator.

In 2013, 7 per cent of complaints were resolved between the company and consumer, 95 per cent by RECC – demonstrating its added value. Of interest is that the majority of these were resolved by their complaint handlers (79 per cent), not their conciliation or arbitration service – a service with no direct charges to consumers. This indicates that mediation with other, more formalised, redress as a backstop can be an effective tool. In 19 of 25 conciliation cases, settlement was not reached and of those, 14 went on to arbitration, indicating that a redress process that is not binding may not add much value.

MCS shared too little data to form a view on its effectiveness, although it is committed to ongoing review of its arbitration scheme when it is set up. Its planned KPIs, in addition to those of other schemes, are set out below. It is noteworthy that there appears to be less sophistication and rigour in the development of these than in the advice sector. The reporting requirements of the *ADR Directive* will assist with this but not perhaps go far enough. MCS' planned indicators get closest to an assessment of scheme effectiveness; this is the only scheme looking at whether the scheme improves sector performance.

## Redress scheme performance indicators

### Contacts & communications

Types of new contacts received

The total contacts responded to

Channels that contacts used (phone, email)

Complaints forms issued and returned

Customer satisfaction – does it improve after use of redress scheme?

Stakeholder feedback

Call answering – less than 2/5 minutes

Correspondence – within 10 days

Trigger points – is it clear when disputes can be referred to

### Outcomes

Installer behaviour – has there been any noticeable change in installer behaviour as a result of arbitration being introduced?

Cost – does the cost model work?

Do disputes exceed the maximum claim value?

### Complaints profile

Reasons for accepting a complaint

Complaint types

Profile of suppliers complained about – by supplier type (e.g. technology), % with different numbers of complaints against them

% complaints inside and outside terms of reference

% referred to other named redress schemes

Number & % of complaints resolved

Number & % resolved for each stage of resolution – pre-investigation/early/mutually acceptable settlement/scheme decision or different complaint handling service

Time to resolve – % meeting 42/56 working days & beyond service level agreements; average time to resolve

Number & % awards and remedies by type – settled, settled and paid/not, no settlement reached, further redress pursued, in whose favour; awards (financial & non-financial)

From the data supplied, we can deduce that the unit cost (that is, the average cost of the redress service per complaint) for OSE in 2013/14 was £394. It is difficult to determine whether this is indicative of an efficiently run service, given the lack of comparative data. The average award of £100 is low, given the maximum award possible, and may reflect as much about the nature of consumer complaints received as the judgements made. It would be valuable to compare the cost of the ombudsman model, including trade body mediation, with a supporting (but less used) legal redress scheme backstop. It would also be valuable to have more data on the benefits delivered by the schemes in order to determine their effectiveness.



## 6.9 Transparent and accountable - advice/redress providers seek to continually improve their service standards

As already explored, there are some concerning areas of weaknesses in performance monitoring, transparency and accountability within redress schemes. The self and co-regulatory redress schemes by trade bodies are currently achieving (or are aspiring to achieve) greater openness about their performance than those with greater legislative underpinning. There was insufficient data available to the reviewer to objectively establish if the schemes were improving their service standards, but all had clear areas where they had strengthened or sought to strengthen their service. Redress schemes are therefore awarded AMBER for their performance on this outcome.

Independent reviews of OSE have found a need to improve performance, and there are indications of efforts to resolve these, but there is little objective evidence available of improvements since its 2010 review in which it was failing a number of its accreditation requirements. OSE's response to the [Environment and Climate Change Select Committee](#) in May 2013 indicates that it may be constrained in its transparency by DECC. It stated:

*'While Ombudsman Services will be publishing limited data in its annual report, data publication beyond this will be decided by DECC.'*

However, the reviewer would suggest that the data that OSE stated it collected in 2013 is insufficient to help it identify areas for improvement. These weaknesses in transparency and accountability are occurring even though OSE has the strongest legislative underpinning of all redress schemes in the sector. The *CEAR Act 2007* requires there to be a redress scheme for the energy sector and states that Ofgem has the power to approve such a scheme. The OSE reports to Ofgem on its performance, and Ofgem has reported that it is analysing the results of actions being piloted to improve the use of the ombudsman. The results were due late 2014 but have yet to be published.

Ombudsman Services has yet to publish data from GDO separately to OSE, although this data is technically available. Given that they have separate legislative underpinnings, remits and funding, the reviewer considers this inappropriate as it prohibits any robust review of scheme performance but also potentially any assessment of how the Green Deal is operating. The reviewer understands this data is to be made available in the near future. GDO subscribes to the standards in the Green Deal Code – intended to assure quality of advice, installation and installed measures during the lifetime of the plan. The United Kingdom Accreditation Service oversees the independent accreditation of Green Deal providers who are to work to this code.

In contrast, RECC is a facilitated self-regulatory scheme run by a trade body that is candid about its and the sector's performance. The scheme has extended its complaint handling to micro-businesses to plug a perceived gap, and there is further potential to integrate these consumers within RECC's policies and processes and consider ways to increase use of its complaints services. Only its arbitration scheme has legal underpinning – the *Arbitration Act 1996*.

MCS is more open about its procedures than its performance. There is scope for much greater self and public scrutiny of the effectiveness of its complaint handling and impact on the sector. The move to a co-regulatory model is appearing to act as a catalyst for this, but to engender strong stakeholder support for transparency on performance is key. MCS-certified products and installers can use the MCS Mark, which is owned by the Secretary of State and is available for use under licence. The arbitration scheme will be underpinned by the *Arbitration Act*.

## Chapter 7

# Proposals for improving provision

*This chapter sets out a number of general recommendations about how energy advice and redress provision can be improved. It then sets out a range of options for how provision can be restructured. The aim is to stimulate a debate that results in further investigation of these options and, ultimately, better delivery.*

**General recommendations include the following points:**

1. *Greater coordination of policy on energy advice and redress*
2. *Improving the comprehensiveness of advice and redress services*
3. *More robust tracking of outcomes to improve service delivery*
4. *Addressing under-performance*
5. *Identifying systemic issues and seeking to improve policies and practices*
6. *Lowering the costs to consumers using advice and redress services (including streamlining the consumer journey; prioritising vulnerable consumers; prioritising micro-business)*
7. *Increasing the benefits to consumers of using advice and redress services*
8. *Reducing demand for redress schemes*

**Options for improving the adequacy of advice provision include the following:**

*Option 1 – make minimal changes in order to comply with the Smith Commission*

*Option 2 – the Citizens Advice Service is the lead advice provider and coordinator of decentralised support*

*Option 3 – separate support for the fuel poor from advice on how to save and generate energy*

*Option 2 is the preferred option.*

**Options for improving the adequacy of redress provision include the following:**

*Option 1 – make minimal changes in order to comply with the Smith Commission and ADR Directive*

*Option 2 – refine existing schemes*

*Option 3 – refine schemes and address gaps in provision within the energy sector*

*Option 4 – a single energy redress scheme*

*Option 4 is the preferred option.*

## 7.1 General recommendations

This section sets out key recommendations for action to improve the adequacy of advice and redress provision. These recommendations apply regardless of the detailed proposals for change to provision that are made in subsequent sections.

### a) Greater coordination of policy on energy advice and redress

A major part of this review was identifying which providers were involved in providing what advice and redress. There was no one organisation that could state with any confidence what the provision was, particularly for advice. Even within a single Government department, there was no central repository of advice initiatives funded by that department. Government-funded unpublished reviews of provision and scheme evaluations exist which, if shared, could inform improvements across the nations.

*The three Governments and departments within the British Government (that is, DECC and BIS) need to better coordinate their advice and redress policy-making to improve the consistency and quality of oversight of provision and scheme performance across the energy sectors. To this end, they should consult on the structure and funding of future energy advice and redress (**Recommendation 1**).*

This will provide a more robust basis for making further structural changes to provision, future funding decisions and enable action to be taken to address under-performance.

*Government should publish information on all key energy advice and redress providers, including on its [tendering website](#). This would include what advice and redress services have been procured, from whom, for how much they are being delivered in response to Government policies (**Recommendation 2**).*

For the three Governments to coordinate and develop policy effectively, they also need to give consideration to market-led advice and redress provision such as the residual ombudsmen, Green Deal assessments and advice offered by unaccredited retailers of energy goods and services. *The potential for poor protection and mis-selling by market-led advice and redress provision requires the Governments to consider their performance alongside mandated and taxpayer-funded services, and to maintain a role in their accreditation and oversight (**Recommendation 3**).*

### b) Improving the comprehensiveness of advice and redress services

Advice and redress schemes are not available for all important energy issues. They are insufficiently responsive to consumers and are unlikely to be future-proof in their current form (see pages 50 and 68). There are some attempts to integrate new services into existing relevant provision in reaction to new policies, but this risks Government-led as opposed to consumer-led services. This approach may also prove problematic if current scheme performance is inadequate or target audiences differ.

The regulatory framework can act as a constraint on improving the comprehensiveness of services and doing so in a streamlined way. Ofgem and the statutory energy ombudsman can only address matters in relation to licensed suppliers leaving a raft of non-licensed activities overseen by other schemes. This forces fragmentation and creates a challenge to delivering a consumer-centred response. Co-regulatory redress schemes reviewed here may exist to plug these gaps but BIS has yet to acknowledge they are ADR entities, and therefore need oversight to ensure compliance with the *ADR Directive*. Given its remit, it is difficult to see how the responsibility for this could fall to Ofgem. *BIS (and subsequently also the Scottish Government) should ensure that industry-led energy redress schemes – currently GDO, MCS, RECC and now Heat Trust – are regulated for their compliance with the ADR Directive. Any organisation with responsibility for oversight must work in tandem with Ofgem (Recommendation 4).*

Citizens Advice and Citizens Advice Scotland are only empowered by statute to deliver first-tier advice services (that is, often points the way towards further information or answers practical and frequently-asked questions). While this does not preclude them offering additional services, the tight prescription of their role limits how responsive the service can be in its role as the statutory advice provider in energy. However, having a statutory provider of advice means that the options available to address under-performance are more limited than if a provider is procured to fulfil that role (such as energy ombudsman). This is because it is easier to terminate a supplier's role if new legislation is not required to achieve this.

### **c) More robust tracking of outcomes to improve service delivery**

*The British, Welsh and Scottish Governments and Ofgem should draw on best practice in advice and redress performance monitoring, and require more robust and more consistent tracking of outcomes of all schemes receiving Government funding or mandated industry expenditure (Recommendation 5).* This will inform the improvement of service delivery and effectiveness. The analytical framework and research on KPIs and service level agreements in this report can support this (see Chapter 4).

*The performance data for each discretely funded service should be required for inclusion in each scheme's published annual reports and/or published by Governments on an annual basis (Recommendation 6).* The availability of this to other interested parties will help drive sector and individual scheme improvements. Commercial sensitivities around this need to be considered in the context that the schemes' funders and beneficiaries are taxpayers and consumers.

The *ADR Directive* will help assist with this desired greater consistency of reporting for redress schemes, but reporting requirements are limited. *BIS could helpfully extend reporting requirements of redress schemes to enable a more robust oversight of performance and comparison across sectors (Recommendation 7).* Capturing all relevant redress schemes with a legislative underpinning, not just OSE, is also important.

## d) Addressing under-performance

Although clear benefits have been identified, there is significant under-performance of advice and redress provision across a number of areas, and there are clear examples of some schemes falling significantly short of objectives. This is more acceptable for schemes run as pilots, or which do not have statutory underpinning. It is not acceptable for long-term statutory provision by single providers. For example, the last published review of OSE was in 2010 and found that it was failing to meet some of its accreditation criteria. Ofgem has yet to publish any subsequent review.

Implied within the move away from grant funding to competitive tendering for some services is an attempt to drive up standards. Use of multiple providers is another option that has also been considered, but this is not permitted for some statutory services and may undermine consumer benefits. Any procurement model is unlikely to deliver in the absence of robust outcome monitoring and action on under-performance.

*As a matter of routine, service level agreements with scheme providers should require repayments for under-performance. Letters of contract or grant funding and accreditation agreements should also stipulate the terms on which funding or accreditation is withdrawn. These terms must be adhered to. Annual performance reports should be explicit about areas of under-performance, the possible reasons and follow-up. If a statutory scheme is failing to meet its targets in three years, the possible reasons for failure (policy and provider) should be explored and alternative provision should be sought in consultation with stakeholders (**Recommendation 8**).*

*Ofgem should consult on accreditation requirements to fulfil the 2008 and 2014 Redress Scheme Orders, with a view to:*

- *raising the accreditation standards in light of this report and the ADR Directive*
- *testing whether restricting potential providers to the ombudsman is still appropriate (**Recommendation 9**).*

*Given that the last review of OSE was a while ago, it would be timely if Ofgem published a formal review of whether OSE is meeting its accreditation and other performance criteria shortly (**Recommendation 10**).*

## e) Identifying systemic issues and seeking to improve policies and practices

The manner in which schemes collected and used their data to identify systemic problems to inform Government and supplier policies and practices was a greater indicator of independence than the type of provider or source of funding. There appears to be unhelpful conservatism about data sharing from some schemes. This may result either from Government requirements not to disclose or the desire to attempt to monetise intellectual property that results from delivering a public service. Co-regulatory, industry-led models of

provision appear less encumbered by such issues and offer a viable delivery option for advice and redress.

*To be independent of Government, all schemes must capture consumers' presenting issues as opposed to what Government scheme they may be helped by, so that gaps in provision can be identified and the advice remains independent, though supportive of, delivering Government policy. Outcomes also need to extend beyond signing up consumers to Government schemes by looking at the consumer benefits delivered (for example, reducing fuel bills and carbon). Greater consistency in capturing needs across schemes would be highly beneficial (**Recommendation 11**).*

*To reinforce their independence, all schemes must be required to publish detailed data on consumer issues or complaints (for example, scale, trend data and by target consumer group with domestic, vulnerable and micro-enterprise consumers separately, companies/types of companies generating these calls) – see pages 53 and 73 (**Recommendation 12**).*

*Scheme providers wishing to further demonstrate their independence should use their data to inform Government policy (for example, written submissions to consultations) and in meetings with industry. These activities should be reported in their annual report (**Recommendation 13**).*

*To aid addressing systemic issues, Ofgem should become the competent authority overseeing the compliance of all energy-related redress schemes with the ADR Directive and new Alternative Dispute Resolution for Consumer Disputes Regulations (**Recommendation 14**).*

## **f) Lowering the costs to consumers using advice and redress services**

Consumers conduct cost-benefit appraisals when deciding whether or not to engage with a service. Currently most policy attention seems to be focused on promoting the schemes. However, if consumers feel that it is not worth investing 20 weeks progressing a complaint for £100 compensation then no amount of promotion will increase take-up. *A greater focus must be placed on ensuring that the services deliver what consumers need, and that the benefits of engaging in the scheme outweigh the costs of doing so (**Recommendation 15**).* Costs can be lowered by streamlining the consumer journey, reducing financial and time investments, and providing communication channels that suit the target consumers.

### **Streamlining the consumer journey**

A streamlined consumer journey does not always equate to having just one provider. Multiple possible entry routes into the advice system may reduce costs. What counts are the costs incurred once in the system. The separation of advice provision, either by funding streams, target audience, channel or provider, risks making the consumer journey more complicated, inconsistent or can prematurely break consumer journeys, or can even risk losing consumers because of these engagement barriers.

A low-cost service will proactively direct all relevant support to the consumer, without the consumer having to follow up lots of referrals. Two-way referrals, supported by strong

referral protocols and tracking of what happens as a result of these referrals, are needed to support this. To enable this, *Governments need to put in place a system of advice schemes with complementary remits and obligations to make two-way referrals, so that providers can proactively contact consumers with relevant support and consumers receive consistent and relevant support regardless of how they first make contact (Recommendation 16).*

For redress, having already accumulated significant costs prior to seeking independent redress, requirements to choose between multiple providers prior to engaging with the process may be a cost too far. In this case, *a single point of entry into a redress scheme is recommended. Complaints that cross the remit of more than one redress provider need to be handled in such a manner as they appear seamless to the consumer, similar to advice. To support this, the number of redress providers should be as low as possible and remits should not prevent responding to issues that are likely to co-exist for consumers. MCS should have regard to this report and consider stakeholders' reactions prior to proceeding with its plans to set up a procurement framework for arbitration services (Recommendation 17).*

*BIS should require that the overall time to resolve the complaint after it is initially made should not exceed 90 days, regardless of how many organisational remits they cross (Recommendation 18).* While such a requirement is demanding for providers, European legislation deems anything more than this as unacceptable to consumers. If it is unacceptable, consumers will not use the scheme as intended or will be dissatisfied with it. This timescale will be easier for providers to achieve if there are fewer providers involved in energy redress and those that do exist have robust referral protocols. *Where schemes offer non-binding mediation-style support or conciliation in addition to arbitration, the timescales for these should be incorporated within the 90-day deadline (Recommendation 19).*<sup>10</sup>

Charging consumers for independent redress will increase the costs to consumers. [Ofgem guidance](#) requires the scheme to be provided free of charge to consumers at the point of use. *All schemes offering legally binding redress should adhere to this principle and BIS should include this within its guidance documents (Recommendation 20).*

### **Prioritising vulnerable consumers**

Vulnerable consumers are likely to perceive the costs of engaging with advice and redress services as higher. The detriment they experience as a result of insufficient advice and redress is also proportionately greater than for other consumers. It is unsurprising therefore that the take-up of advice schemes that sought to lower these costs – using outreach and offering practical support – exceeded targets. Such schemes also appear to offer the greatest value for money. *The three Governments, in particular the British Government, should increase the proportion of advice that uses community outreach and offers more intensive, practical support (Recommendation 21).*

*To support vulnerable consumers' access to redress, the British Government should extend the remit of EHU to include supporting vulnerable consumers with any energy supply, distribution or service issue that may risk their financial wellbeing, ability to live comfortably in their own home or health (Recommendation 22).* This intentionally broad remit would

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<sup>10</sup> BIS have indicated that their guidance materials will reflect these two recommendations.



enable EHU to help with energy saving and generation issues, and not be bound by whether these are activities regulated by Ofgem.

Reducing the practical barriers to engaging with the scheme will also help vulnerable as well as other consumers. The reviewer considers the above fundamental scheme design issues to be the most significant source of costs to consumers. However, *benchmarking underperforming schemes against the British Standard for Inclusive Services may reveal other opportunities to reduce costs, and so increase use (Recommendation 23).*

Ofgem states that an important objective of its [Consumer Vulnerability Strategy](#) is to ‘facilitate the role of independent and trusted third party intermediaries in providing advice and support to vulnerable consumers’. Given this, *it is recommended that Ofgem drives forward actions to enable vulnerable consumers to be prioritised in advice and redress provision. Energy UK, the administrators of HHH, should have regard to this report and consult with stakeholders prior to revising its advice scheme (Recommendation 24).*

### **Prioritising micro-businesses**

Micro-businesses are currently poorly served by advice and redress schemes, even though they are eligible for support. This is problematic because, even though they can experience significant detriment and operate with the same resources as domestic consumers, their protections are much fewer.

Without a deeper understanding of the barriers to using existing provision, it is difficult to make constructive policy recommendations. Given this, *Ofgem should commission research to understand the advice and redress needs of micro-businesses with a view to supporting the development of adequate provision. The Federation of Small Businesses and current schemes involved in providing services to micro-businesses should be involved in this work (Recommendation 25).*

*The three Governments and Ofgem should collaborate with behavioural experts to gain further insights into how to shape scheme delivery, in order to best reduce costs for consumers (Recommendation 26).*

### **g) Increasing the benefits to consumers of using advice and redress services**

In addition to reducing the costs of using advice and redress schemes, more efforts must be made to increase the benefits to consumers and to clearly articulate these to target consumers. Although some schemes are demonstrating that they deliver benefits, these may not be sufficiently apparent to other potential beneficiaries. This may go some way to explain why suppliers’ efforts to improve signposting of consumers to redress schemes have made minimal inroads, to date,<sup>11</sup> and the use of major national advice services remains below expectations. The greatest upsurge in redress scheme use has been when media coverage has brought attention to how a scheme is resolving a common consumer concern. *The three Governments should work with behavioural experts to investigate how the*

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<sup>11</sup> Ofgem was expected to report on the Energy Ombudsman’s recent activities last year.

*benefits of advice and redress schemes can be better communicated to their target audiences to help improve use (Recommendation 27).*

While the benefits to consumers are not always financial, money is likely to be an important consideration when it comes to redress, given the effort involved. Consumer expectations may not be realistic or be fair to suppliers but need to be taken into consideration, as they will determine whether the scheme is used, and may indicate the need to further reduce the costs of using schemes if benefits cannot be improved. *Ofgem should commission research into consumers' expectations of redress and use these findings to inform policy guidance on redress measures (Recommendation 28).*

## **h) Reducing demand for redress schemes**

It would appear that complaints initiation and sustaining engagement for the required eight or ten weeks is so effortful that further investment by consumers in independent redress is too big an ask. More effective complaint resolution by companies will reduce demand for independent redress and enable more eligible complaints to be taken forward. *Ofgem, MCS and RECC should reduce demand for redress schemes by putting in place stronger financial deterrents for companies that treat their customers poorly (Recommendation 29).*

Redress Orders offer consumers the lowest cost route to redress (see page 12). Ofgem has yet to use such powers. *Ofgem should use its redress order powers, and redress schemes should be actively feeding in proposals for potential redress orders to support the many consumers who have complaints but do not use redress services (Recommendation 30).*

Another way of reducing demand for redress schemes is to address high-pressure doorstep sales practices. This is not an energy specific issue, but Government schemes that offer financial incentives to energy consumers have led to spikes in complaints of this nature and all home installations create further opportunities. *The British and Scottish Governments should bring in legislation to stop high-pressure doorstep sales practices (Recommendation 31).*

## **7.2 Options for improving the adequacy of advice provision**

This section sets out options for changes to advice provision and applying the above recommendations, ranging from least intrusive to most intrusive. The more intrusive options does not necessarily equate with most expensive, given that the changes made will seek to maximise positive outcomes. Development of the options is hampered by insufficient understanding of the needs of micro-businesses and the requirement to develop options across the whole of Great Britain. The options are therefore presented as an informed basis for debate on how to further improve provision. Other options may also be possible.

### **Option 1: Make minimal changes in order to comply with the Smith Commission**

Maintaining the status quo is not an option since consumer advocacy and advice will be devolved to the Scottish Parliament. Elements of Options 2 and 3 are therefore of relevance to Scotland. Such changes do not preclude Great Britain-wide solutions supporting nation-

specific schemes, as currently but with a change to the funding and administration of some schemes.

This attempt to maintain the status quo as much as possible is NOT RECOMMENDED, as the above recommendations would not all be responded to. This forthcoming change provides an opportunity for:

- the Scottish Government to continue on its journey to streamline the consumer journey by integrating energy advice services currently funded and administered by the British Government into its schemes
- the British and Welsh Governments to concentrate their efforts to improve provision on what is needed in England and Wales, as well as considering what Great Britain-wide schemes would be beneficial.

### **Option 2: Citizens Advice is the lead advice provider and coordinator of decentralised support**

This option seeks to streamline provision by directing consumers through the single statutory advice provider in Great Britain while preserving the structure of provision in Scotland and Wales, and learning from interesting practice there. Shortcomings in current provision are addressed through expanding the remit of Citizens Advice and a procurement framework that also better equips the sector to respond to future issues. This is the PREFERRED OPTION.

#### **The Consumer Advice service has an expanded role**

- Fulfils its statutory role delivering general energy advice to domestic and micro-enterprise consumers. This covers first-tier bill reduction, energy savings and generation advice, and all energy complaints as part of its ADR referral function. Smart meters are included because the issues arising can raise multiple advice needs. No energy issue is outside of their remit, as this facilitates handling also of bundled services. This ensures a responsive service and strong intelligence on systemic issues.
- Offers more intensive telephone support for those at risk of fuel poverty, coordinating support for the fuel poor in England (similar to HES and Nest) but also providing support to those ineligible for Government schemes but in need of bill savings and debt/money advice, regardless of what nation they reside in. This reduces unhelpful constraints on providing relevant support currently experienced by the consumer service and HHH, and plugs some of the gaps in provision currently being addressed in the short-term by EBDX and BESN to support vulnerable consumers. To complement this work, the consumer service would take on eligibility checking for Affordable Warmth on ECO from ESAS. HES and Nest continue to offer this support, with the consumer service driving consumers towards this support where appropriate.
- Uses effective diagnostic tools to identify customers in need of more intensive support around energy use and in need of further referral. The consumer service therefore offers a triage system (similar to HES) to more intensive, face-to-face, practical and technical support on all matters where appropriate but especially for

energy saving and micro-generation issues. To enable this, it is responsible for setting up and coordinating two-way referral protocols (akin to Nest) and tracking what happens as a result of referrals. A stakeholder board would oversee the operation of the referrals and be accountable to the relevant Governments.

- Its remit covers England, Scotland and Wales but mostly seeks to refer callers to Nest and HES for Welsh and Scottish fuel poverty schemes (and other Scottish specific energy advice) as appropriate. Business customers would be referred to RES for energy savings and micro-generation. If Scotland sets up its own scheme, the remit would no longer extend to Scotland.

#### **Procurement framework for intensive, practical, face-to-face and technical support**

- A Government-run procurement framework would secure more intensive, practical, face-to-face, technical advice and outreach on all energy issues. The following issues need to be captured: debt/financial assistance advice, especially face-to-face, long-term provision and practical support; supporting applications for Government energy saving and micro-generation subsidies; impartial technical advice about energy efficiency and renewable technologies including impartial on-site assessments, especially for micro-businesses; impartial tariff and other advice for micro-businesses.
- Providers could include: ESAS, Citizens Advice Bureaux, local authorities, trade organisations such as MCS (who DECC has already made a key delivery partner on micro-generation advice) and technical experts. HES, Nest advice provider, BW, REW and RES, being Government procured or run, would be retained and become part of a Great Britain-wide delivery framework. This creates future opportunities for shaping delivery in Scotland and Wales.
- The framework offers the opportunity to source all relevant expertise to help plug the gaps in current provision and offers flexibility for tailoring provision, requiring improved outcome tracking.
- The consumer service would need to refer to providers that are part of the procurement framework.
- The consumer service cannot operate the framework because Citizens Advice Bureaux are potential competitors for funding. If they were not, then the consumer service could have a similar role to the Money Advice Service, which has taken over responsibility for commissioning face-to-face money advice from BIS.
- The providers within this framework will operate under the consumer service brand.
- Energy suppliers could redirect their HHH funding to support this framework.

#### **Resource a training coordinator to improve advisor expertise**

- Provides systematic support to advisors to ensure the advice they provide is up to date with rapidly changing Government policies and company provision.
- Supports more community organisations to conduct outreach and proactively provide energy support to vulnerable consumers, as part of their other work.
- This service is needed across the three nations.
- Activities would include the following:

- Online training and guidance resources that can support the cascading of local training (a potentially cheaper tool than face-to-face training).
- Providing briefings to keep energy advisors up to date with relevant policy developments (for re-use by other schemes).
- Making clear the referral protocols for more detailed advice, including links with technical training/accreditation of in-home energy assessors.
- Providing access to up-to-date databases on company schemes, Government subsidies, practical support, accredited providers and installers, local services for all advice services and address-level information about energy efficiency requirements (some of these may already exist but are held by different providers).
- Acting as a key delivery partner for Government policies, advising on energy policy advice requirements and supporting their development and roll out.
- An advisor support line that has particular value for supporting community groups.
- Distribution of grant funding to support community outreach, supported by community liaison officers – a clear opportunity for delivering the benefits of quality advice more widely.
- This role is a natural complement to Citizen’s Advice energy remit. It also has functionality to support advisor training as a result of its work with bureaux (that is, AdviserNet). This makes it the optimal energy training coordinator. However, ESAS also has a useful knowledge bank on energy savings, which can support this work.
- Funding for this could come from a mixture of central government (as currently for BESN, EBDX, ESAS) and advice agencies (as currently for subscriptions to AdviserNet). Existing databases that have been developed as a result of taxpayer or mandated industry expenditure should be released for this purpose, not charged for again.

#### **EHU offers extra help on all energy issues**

- Also supports vulnerable consumers with any energy supply, distribution or service issue that may risk their financial wellbeing, ability to live comfortably in their own home or health.

### **Option 3: Separate support for the fuel poor from advice on saving and generating energy**

This option builds on the approach that is emerging from DECC and has evolved in Scotland and Wales, and leads to the provision of two centralised advice schemes responsible for coordinating more detailed, specialist advice. This approach risks failing to deliver an integrated service as it is not customer-centred. There are potential areas of overlap, and it may prove inadequate for micro-enterprise consumers. This is NOT THE PREFERRED OPTION. The option is detailed below.

#### **The Citizens Advice consumer service focuses on advising on bill savings and outreach**

- Fulfils its statutory role delivering general energy advice to domestic and micro-enterprise consumers. Smart meters are in scope.
- As above, also offers more intensive telephone support for domestic consumers at risk of fuel poverty.
- Refers consumers to Citizens Advice Bureaux for face-to-face advice.
- Coordinates outreach advice services delivered via its bureaux.

- Administers grant funding to support community groups in delivering energy advice.

### **ESAS (in England and Wales) and HES (in Scotland) lead on energy savings and generation**

- This approach builds on EST's current work in this area.
- ESAS as currently gives advice on Government policies and incentives with a view to primarily delivering carbon savings, but it is also able to offer more intensive telephone support as well as continuing its referrals to further support.
- HES and ESAS run a procurement framework to secure and bolster their provision of impartial technical and on-site advice, practical support and community outreach to complement current work. MCS and other industry bodies could be part of this framework.
- ESAS, akin to HES, coordinates the delivery of more intensive advice services through a two-way referral network.

### **Resource a training coordinator to improve advisor expertise**

- As Option 2 above, but Citizens Advice consumer service and ESAS co-deliver this service.

### **EHU offers extra help on all energy issues**

- As Option 2 above.

## **7.3 Options for improving the adequacy of redress provision**

### **Option 1: Make minimal changes in order to comply with the Smith Commission and ADR Directive**

Maintaining the status quo is not an option, since consumer protection is to be devolved to the Scottish Parliament. There is currently talk of developing a single, all-encompassing ombudsman for Scotland, and this is reflected in the options below, but remaining within a Great Britain-wide approach is also a possibility, making the discussion below of relevance. The *ADR Directive* will also require some schemes to make changes to how they currently operate and will force the provision of redress on complaints currently outside of existing provision. This option does not address scheme performance issues and so is NOT THE PREFERRED OPTION.

With this approach:

- Scotland develops its own ADR approach and the remits of Great Britain wide ADR schemes either constrict to reflect this delegation of responsibilities to Scotland or remain unchanged, risking areas of overlap. The former is preferred.
- Ofgem becomes the competent authority for the energy ombudsman. OSE remains the sole accredited energy ombudsman.
- GDO remains as currently, with Ofgem as the competent authority overseeing its compliance with the *ADR Directive*.
- MCS develops its own arbitration procurement framework, with Ofgem as a competent authority overseeing its compliance with the *ADR Directive*.

- In order to be compliant with the *ADR Directive*, RECC makes changes so that it delivers its entire package of complaints handling support within 90 days.<sup>12</sup> This means either a) no longer offering complaint handling support and/or conciliation b) condensing timescales for all complaint handling support. The removal of conciliation services and condensing timescales is preferred. Complaints that require MCS involvement will be dealt with in parallel to MCS, in order to ensure compliance. The different arbitration mechanisms (with different rules) for domestic and micro-enterprise consumers are maintained. Ofgem oversees RECC's compliance with the *ADR Directive*.
- The Ombudsman Services residual ADR scheme provides redress for all energy-related issues currently not addressed by existing provision.

This attempt to maintain the status quo as much as possible is NOT RECOMMENDED as the gaps in provision will not be addressed. Fragmentation and under-performance remains.

### Option 2: Refine existing schemes

This option builds on Option 1, seeking to address under-performance and streamline provision with as minimal intervention as possible. This minimalist approach keeps down costs but means that expertise and the possibility of responding to systemic issues is diminished. It is therefore NOT THE PREFERRED OPTION.

- As above, Scotland develops its own ADR approach.
- DECC tenders for a single ADR scheme to deliver against newly revised accreditation criteria for the statutory energy redress scheme.
- Part of this tender is the role of Green Deal ADR provider. As currently, a single provider delivers both energy ombudsman and Green Deal functions.
- RECC and MCS merge their arbitration functions, providing a one-stop-shop for micro-generation complaints. A single arbitration provider is used, reflecting Cabinet Office guidance. Domestic and micro-enterprise consumers are treated identically, overcoming shortcomings in consumer protection for micro-businesses.<sup>13</sup> Consumers are not charged for using arbitration. The continuing close industry involvement in complaints resolution assists early identification and resolution of systemic issues.
- As detailed in the advice options, EHU has an extended role, enabling it to offer vulnerable consumers support with complaints on all energy issues. A two-way referral network between EHU and complaints helpdesk will maximise the ability of vulnerable consumers to seek redress.
- A residual ADR scheme, compliant with the *ADR Directive*, regulations and updated Ofgem accreditation criteria, provides redress for all energy-related issues currently not addressed by existing provision.

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<sup>12</sup> Any complaint handling resolution service, including those offered by trade bodies, falls within the scope of the *ADR Directive*. The 'resolution clock' begins with the consumer referring their complaint to the trade body, and so multiple redress types offered to one consumer will together need to deliver within 90 days.

<sup>13</sup> The *ADR Directive* does not apply to redress schemes for micro-businesses.

### Option 3: Refine schemes and address gaps in provision within the energy sector

This option builds on Option 2 by resolving gaps in provision within the energy sector, maximising opportunities for identifying and tackling systemic issues. There will be four redress schemes in energy (including Scotland), creating an opportunity for learning from different models of provision. However, fragmentation in redress provision remains, making this NOT THE PREFERRED OPTION.

- As above, Scotland develops its own ADR approach.
- As above, the British Government (in consultation with the Welsh Government) tenders for a single ADR scheme to deliver against newly revised accreditation criteria for the statutory energy redress scheme.
- A single residual energy redress scheme for all energy-related matters that are outside Ofgem's remit (that is, not relating to suppliers licenced by Ofgem) is tendered for by DECC. Micro-generation issues captured by MCS and RECC would be outside of their remit. The scheme would need to meet the same accreditation standards as the statutory scheme. This broad scope would enable responsiveness to consumer needs and clarity of responsibility. In scope would be: the Green Deal (both for those with and without a payment plan); Calor gas; RHI applications; third-party energy brokers; and micro-generation related complaints for suppliers who are not members of RECC or MCS. Ofgem is the competent authority with oversight of its compliance with the *ADR Directive* and accreditation criteria. Setting up a residual energy scheme will imply an additional cost on top of that anticipated for BIS' residual scheme. An alternative would be to integrate these functions within the residual ADR scheme, but this would risk undermining responsiveness to systemic issues. Either option implies changes to the Green Deal Code of Practice or Agreement.
- As above, RECC and MCS merge their arbitration functions, providing a one-stop-shop for micro-generation complaints.
- As above, the remit of EHU is extended.

### Option 4: A single energy redress scheme

This option is identical to Option 3, with the exception that it seeks to consolidate redress provision by giving the residual energy scheme the responsibility for being the single point of entry to redress. It acts as coordinator for all energy-related redress – referring to other schemes as appropriate, tracking progress in a similar way to the extended role for the Citizens Advice Service and reporting on their performance. It generates more enhanced opportunities for identifying systemic issues crossing different scheme remits than Option 3 and simulates the Cabinet Office's [preference](#) for a single sector scheme, making it the PREFERRED OPTION.