

Annex B: Energy themes

These are the projects that will apply specifically to the energy sector. We'll have succeeded in delivering on our key aims in energy if:

- All consumers are paying a competitive price for their energy with the switching processes made more consumer-friendly and well-designed price caps protecting those who are not switching
- Frameworks for agreeing and distributing the costs of the energy system are being developed with the interests of all consumers at the forefront and under public scrutiny
- There is a clearer, industry-wide agreement about the protections and support needed to ensure all consumers can benefit from the changes in the market heralded by smart meters
- There is a stronger, more coherent support offer for those in vulnerable situations across all companies in the industry. There is a guarantee of effective support for those who cannot afford to heat their home.

1. Strengthening consumer rights in a changing world

1.1 Secure the best Brexit deal for consumers

Brexit presents short and medium-term opportunities and challenges for UK consumers and consumer advocacy.

In the short-term, our priority is making sure that existing consumer rights are defended and, where opportunities exist, enhanced during the EU negotiations. We will encourage the relevant authorities to reflect on how our competition regime can be reformed in the best interests of consumers. We will also scrutinise the process of transposing EU regulations into UK law. Many protections at EU level are the result of hard fought lobbying by consumer groups, and it is vital that these are well transposed. We have begun this work already, developing consumer principles to test the final Brexit agreement against, making sure that consumer outcomes are being considered at every stage of the process.

However, in the medium-term, Brexit has the potential to lead to the biggest debates on consumer rights and protection in a generation. Consumer advocacy will need to adapt to a fundamentally changed environment. Consumer laws and trade negotiations previously made in Brussels will soon be contested in the British public, political and regulatory arena. We will start to think about the role

of consumer advocacy in this context and how consumer interests will be embedded in intricate multilateral negotiations. This will help determine our post-Brexit consumer rights and regulatory framework.

We will be advocating about the impact of Brexit negotiations for energy consumers. In energy in particular there are questions over the enduring arrangements for infrastructure, tariffs (for cross border trade) and codes and governance for the gas and electricity that flows between our country and the continent every day. Many energy sector rules are set at an EU level, and so key regulations will need to be transposed by government into UK law. We intend to scrutinize this process. This is happening at the same time that the EU's Clean Energy Package is being concluded, where we will continue to push for stronger consumer protections.

1.2 Ensure consumers are comfortable with how their smart data is used

Companies are rapidly increasing their use of data to decide who should and should not be offered new products, services and support. In order to build a fuller picture of their customers, companies are developing ways to access new sources of information about them. In energy in particular, the half-hourly consumption data from smart meters will provide a powerful picture of people's lives behind their front door.

This kind of data stands to provide benefits for consumers, ensuring products and support are tailored to the individual's needs and are targeted effectively. However previous research has suggested that some consumers can become distinctly uncomfortable about companies holding a wide range of information about them.¹

The government will be reviewing their privacy framework for how smart meter data can be used. We will commission research into consumer attitudes about the use of their smart meter data and represent these views as the new framework develops. In the course of this work we will also look at how lessons we have learnt can be applied to other sources of personal data and other sectors.

1.4 Build the future energy market around consumers

New ways of generating, distributing and using energy are set to bring significant benefits for consumers, energy systems and the environment. We want to ensure all domestic and small business consumers can benefit from these

¹ Citizens Advice, [On Supply, In Control](#), June 2016

developments, and that consumer protections are established from the outset. Lessons should be learned from the heat sector where we are seeing problems due to a lack of consumer protections. We will continue to offer our evidence of consumer issues and our expertise in the energy sector to influence those taking decisions on the future market.

We are starting to see the first products and services of these new markets emerge. We want to understand the early experience of consumers who have engaged with flexible products and markets, including electric vehicles, time of use tariffs, household-level battery storage or solar panels. We will seek to understand any barriers to adopting and engaging with new products and services, particularly for vulnerable consumers. We will examine whether consumers have experienced any detriment, whether they have access to adequate advice and redress, and whether consumer protections and regulation are adequate. We will continue to advocate for strengthened consumer protections in the EU's Clean Energy Package as this is finalised.

In recent trials of time of use tariffs, 25-40% of consumers faced higher costs at the end.² It is vital that consumers are able to choose the products that are right for them. The increasing complexity of these tariffs makes this more difficult. An attractive rate might end up more expensive if it's only available a few days a year, or the consumer is unable to shift their usage. In 2018/19, we will therefore establish a framework for determining which time of use tariffs are right for which consumers.

A range of new supplier models have entered the market over the past few years. Many of these, such as local authority suppliers, have ambitious aims to tackle vulnerability and fuel poverty. We will gather early insights and learnings to understand which of these models might deliver the best outcomes for consumers. We will support Ofgem's work on future supply arrangements by examining what changes to the supplier hub model (such as the emergence of new third party intermediary models) will mean for consumers. We'll also consider the different ways they might engage with the market and how they should be protected.

We will feed into Ofgem's work on market-wide half-hourly settlement, providing our views and evidence to ensure this reform process considers consumers' data privacy. We will also highlight any impacts on those who will, for whatever reason, not be half-hourly settled.

² Citizens Advice, [The Value of Time of Use Tariffs in Great Britain](#), July 2017

1.5 Help flexible regulation to drive improvements in service

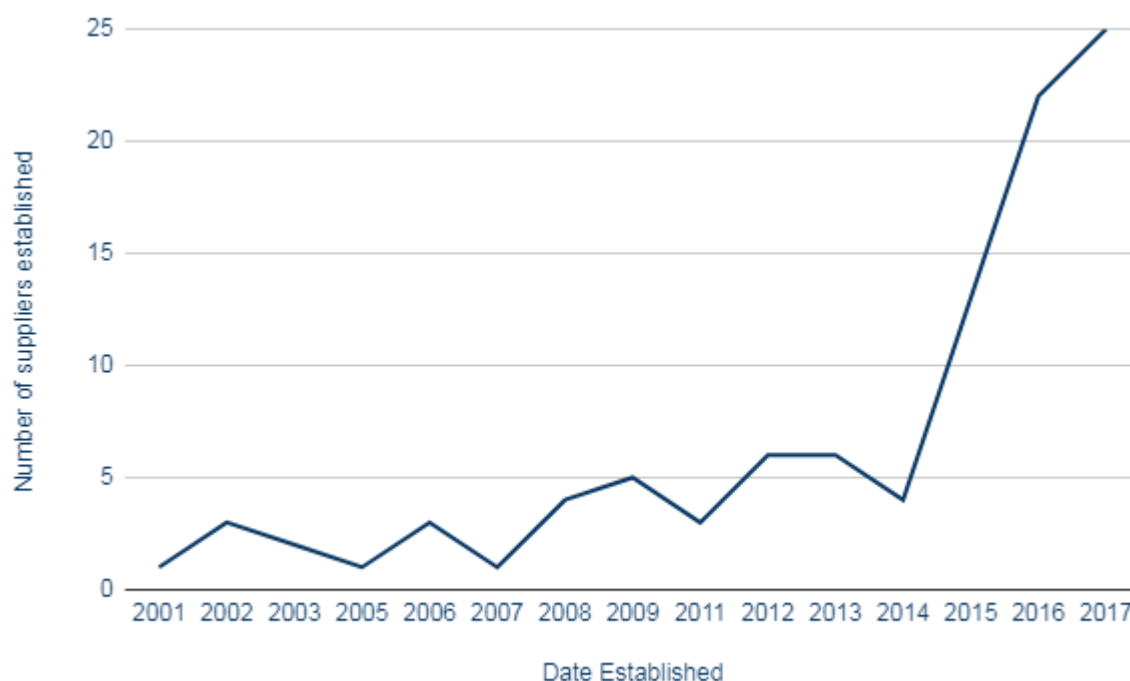
The energy regulator Ofgem has recognised that a fast changing market requires more flexible regulation and less detailed prescription. It has introduced a new regulatory regime which means our ability to provide early evidence and engagement around consumer issues is all the more important. Citizens Advice has access to rich sources of data about the consumer experience from our consumer service, Extra Help Unit (EHU) and local Citizens Advice. The EHU in particular, with its statutory powers to investigate complex complaints on behalf of vulnerable consumers, provides an in-depth understanding of issues that consumers are having with particular suppliers.

We will continue to pool our resources with Ofgem and the ombudsman, highlighting new issues as they arise and working collaboratively to ensure suppliers deliver improved customer service. We will monitor the impact of recent changes to the Standards of Conduct and new informed choices principles, examining the impact on consumers across England, Scotland and Wales. We will also work to drive up customer service standards by benchmarking energy company performance against best in class companies in other sectors. And as new technical and regulatory challenges emerge, we will continue to identify and share good practice with suppliers through our series of consumer-focused guides.

1.6 Ensure that new market entrants put consumers first

In the retail energy market we expect the steady stream of new suppliers to continue, including some set up by local authorities. We are also seeing new third party intermediaries start to enter the market, some of them blurring traditional relationships between consumers and suppliers. For example, new business models testing peer to peer trading, and smart solutions related to storage, are changing the way consumers interact with energy in their homes. More innovative technologies will enter this market as more homes acquire smart meters. It's essential that consumers understand what they are signing up to and are able to access support and advice if they need it.

Number of energy suppliers established per year has risen dramatically³



There is also a strong need for increased scrutiny of new entrants. In 2016 we saw the first supplier since 2008 exit the market. Increasingly, we meet new suppliers who have insufficient processes in place or who don't understand their licence requirements. At its worst, we have seen households left off supply in the winter as a result. We will continue our efforts to engage new suppliers as they come into the market, share our consumer expertise and introduce them to the statutory complaints processes. We will also research into how other sectors handle new entrants and push for improvements to the licensing regime through legislative change.

The number of owners of small independent distribution networks is also increasing. This can help to provide more choice for the consumer but it is important that consumer protections are in place.

Large numbers of new network connections are being won by independent distribution network operators (IDNOs). These companies are not subject to the same regulations as traditional DNOs and a lack of reporting means we don't know how well they are delivering for consumers. Building on our previous work around DNOs and gas transporters, we will undertake research to assess IDNO performance against key consumer outcomes, identify good practice and areas

³ Based on data collected by Citizens Advice from suppliers and Companies House

for improvement, and shed light on the experiences of consumers across England, Scotland and Wales.

There are now around 17,000 heat networks in the UK, supplying heat to approximately 446,000 homes⁴. Estimates suggest this could rise to 2 million homes by 2030 in order to meet UK carbon reduction targets⁵. The lack of regulation and competition in this sector means there is no consistency of service for consumers and no means of redress when things go wrong. We will continue to work with Government and industry to push for the implementation of a regulatory framework, and for the Competition and Markets Authority (CMA) to launch a market study investigating domestic heat prices.

1.9 Ensure consumers have access to redress, resolution and automatic compensation

Cross-sector and Energy: This year, we're continuing to identify the scale of compensation that is unpaid. In energy, £2.1million of compensation was not paid by network companies in 2015/16 when they had not met necessary levels of service. Meanwhile, consumers are still not guaranteed access to redress and ADR when things go wrong.

The need for regulation is clear. Consumers tend to make purchasing decisions on the assumption that things will go right, so companies have little competitive incentive to improve how they act when things go wrong. This year, we'll work with companies and regulators to improve consumers' rights, automate compensation and persuade Government to extend and improve ADR provision.

2. Ensuring major projects and infrastructure investment deliver good value for consumers

2.1 Advocate for fairer energy network costs for all consumers

Next year Ofgem will begin deciding how much networks can charge for managing the pipes and wires that deliver energy to our homes. These payments are made by all consumers through their energy bills and are currently worth nearly £100bn over eight years. In our recent report we found

⁴ Department for Business Energy and Industrial Strategy, [Heat network metering and billing regulations: compliance and guidance](#), 2016

⁵ Policy Exchange [Too hot to handle](#) 2016

key forecasts made in the last decision fell in favour of the network companies, costing consumers an estimated £7.5bn.⁶

These payments are agreed by a negotiation between network companies and the regulator. This is a hugely complex task for which Ofgem will set its methodology in the next year. Seemingly small, technical decisions at the margins can have huge impacts on consumer costs: for example, a 0.1% adjustment to the cost of capital can increase consumers' costs by £400m.

Industry is extremely well-represented in these negotiations. We'll make sure that consumers have a powerful voice at the table. As Ofgem makes decisions on the next price controls, we will build on our findings from the previous process and conduct new research and analysis as the framework develops, working closely with Ofgem and providing a robust counter-balance to the industry. We'll also work with Ofgem as they reform the methodology for how network companies recover agreed revenues from consumers.

2.3 Help scrutinise the hidden costs of energy

Consumers' energy bills aren't just formed by the costs of networks, suppliers and the energy itself. We also pay for system changes, low carbon incentives and other government policies. £132 of the average dual fuel bill is currently attributable to policies intended to help us decarbonise and keep the lights on. This is forecast to rise to £164 by 2020. In 2014, the government estimated that around £100bn of investment may be needed in the electricity system alone by 2020, costs that will be met by bill-payers⁷.

How these costs are calculated and distributed is a complex and sometimes opaque process. Consumers risk being left unrepresented in these decisions when compared with industry and other well-resourced interests and consequently can end up paying more than they should. We will represent all consumers at the negotiating table and bring decisions into the public domain so consumers can have their say.

Further, many decisions about major system changes, such as half hourly settlement and faster switching, are made by industry code panels. These decisions determine how large amounts of money are spent and allocated,

⁶ [Energy Consumers' Missing Billions](#), Citizens Advice, 2017

⁷ All figures from [Controlling the consumer-funded costs of energy policies: The Levy Control Framework](#), National Audit Office, October 2016

which eventually find their way onto our bills. We will continue to use our expertise and evidence to ensure GB consumers get a fair deal.

The Helm review posed fundamental questions about this complex and costly web of incentives, interventions and system costs and provided some radical answers. We will conduct our own analysis and contribute to the debate as government develops their answers to these questions.

2.5 Keep the smart meter roll-out focused on consumers.

On current expectations, around one quarter of homes should get a smart meter in the next year⁸. This will push new smart meters up the agenda as a consumer issue. Significant investment has been made in this technology on the basis that it will deliver benefits to the energy system as a whole but also put consumers - both domestic users and small businesses - in control of their usage. All consumers are paying for this investment so it is vital all benefit from the technology.

We have a strong record of representing consumers in the smart meter rollout, which we will build on in 2018/19. We have been collecting and analysing data on the consumer experience of smart meters across England, Scotland and Wales since 2013. This data is invaluable for understanding the technical difficulties and consumer impacts emerging from the roll-out. By listening to those who contact us, we have helped to shape the programme, highlighting potential risks and improving the consumer experience. We have worked with industry through the programme's consumer groups to make recommendations for improvement.

Most recently our work has secured progress on backbilling, post-installation support, prepay switching and enrolment of early smart meters. In 2018/19, we will track existing risks and be alert to new issues and concerns. We will provide the necessary evidence and recommendations for the industry to maintain a good consumer experience as the roll-out gathers pace. We will also use what consumers are telling us about the new technology to ensure our national advice remains relevant and up to date.

⁸ Citizens Advice estimate based on [Smart Meters Statistics, Quarter 3 2017](#), Great Britain, Department for Business, Energy & Industrial Strategy, November 2017

2.6 Ensure accessible and deliverable energy efficiency policy

For many households energy efficiency is the most effective way to reduce bills. The Government has committed £6.8bn up to 2028 through ECO⁹, as well as consulting on other energy efficiency incentives as part of the Clean Growth Strategy. The Welsh Government has also committed £240m per year for its own Warm Homes schemes up to 2021.

Significant changes are needed if government is to realise its energy efficiency objectives. We are currently researching long term answers to the hard questions being asked about energy efficiency policy. We will contribute evidence on funding streams, delivery models and consumer engagement into the debate around the future of energy efficiency across the UK.

The UK government's renewed commitment to minimum standards for renters in England and Welsh Government's implementation of new standards suggests that new self-financing options will need to be brought forward in the coming year. We will research the consumer perspective on previous schemes and ensure the lessons are reflected in the policy as it develops.

3. Reformed markets that do not exploit consumers' behaviour

3.3 Protect against excessive energy prices

Since the Competition and Markets Authority (CMA) established the scale of detriment suffered by energy consumers (an average of £1.4bn a year),¹⁰ we have been campaigning for consumers on default tariffs to be protected. Ofgem, the energy regulator, plans to protect vulnerable consumers from the highest prices and the government intends to protect all those on default tariffs through a draft bill.¹¹ We expect that these plans will be implemented in the year ahead.

As the plans are finalised we will work closely with government and the regulator, sharing our evidence and analysis of the potential impacts of the proposed solutions. We will use our expertise in the industry and first-hand experience of consumer detriment to identify risks. As the caps for prepayment

⁹ £640m per year for five years to 2022 committed in [Spending Review 2015](#), HM Treasury, November 2015 and a further £3.6bn committed up to 2028 in [Clean Growth Strategy](#), BEIS, October 2017

¹⁰ CMA, [Energy Market Investigation - Final Report](#), June 2016

¹¹ Department for Business, Energy and Industrial Strategy, [Draft Domestic Gas and Electricity \(Tariff Cap\) Bill](#), October 2017

and Warm Home Discount customers take effect, we will be monitoring both our market data and our caseloads to understand the impact on consumers.

We will engage throughout the legislative process to ensure that the consumer voice is heard in the deliberations of both houses. We will also continue to use other channels - behind the scenes with industry and in the public sphere - to advocate for consumers.

3.4 Help consumers switch energy supplier

The proposed price caps should protect consumers from the most exploitative prices. But in the long term, reducing suppliers' pricing power and addressing market inefficiency requires more consumers to engage. Around 2 in 3 households remain stuck on default tariffs despite significant savings to be made from either switching supplier or tariff.

More consumers would switch if systems were designed better. The CMA instructed Ofgem to implement remedies to simplify switching, including the potential for smart meters to make the market more engaging. We will monitor the impact of the smart meter roll-out and share our consumer insights. We will also publish joint work with Ofgem on the barriers faced by small companies and how they can be encouraged to engage.

This year, for the first time, price comparison websites will not need to show the whole of market. This means our price comparison tool will be increasingly important, providing British consumers a full market comparison. We will continue to update and improve this tool and explore ways to make it easier for users to access their preferred deal. We will also continue to directly support consumer engagement in the market through our local network, digital offer and telephone helpline.

Service is just as important as price for many consumers. We will continue exploring new ways to publish information about suppliers that are outside the scope of our supplier star rating.

Big Energy Saving Network & Week

We know certain consumers face barriers to engaging with the energy market and finding ways to reduce their energy costs. We also know how difficult it can be for policies designed to help with this to reach those who need them

the most. An important part of reaching vulnerable households is making face-to-face advice on reducing bills available locally.

The Big Energy Saving Network (BESN) is made up of local community groups and charities across Great Britain that can advise on energy saving in the home, switching energy suppliers, different energy tariffs and government support to help the most vulnerable get warmer homes and lower fuel bills. The network is supported by Big Energy Saving Week which aims to raise public awareness of the ways to reduce energy bills through promotional material, media and events around the country.

The Network contains specially trained 'Champions' that coordinate the training of community volunteers so that they can proactively provide energy saving advice through events and outreach programmes in local communities to help households reduce their energy costs and consumption.

We will look to deliver a single effective community outreach programme across England, Scotland and Wales, including the Big Energy Saving Network (BESN) alongside our delivery of the Big Energy Saving Week campaign and Energy Best Deal programme. The programme will combine the strengths of these current schemes while simplifying the commissioning process for Citizens Advice and delivery partners.

4. Protecting and empowering vulnerable consumers

4.1 Preventing crisis situations and cross-sector:

Energy consumers are at their most vulnerable when they lose access to their heating and lighting because they cannot afford to pay for it. We still see far too many cases of this happening and it is particularly concerning when those households contain children, people with health conditions or older people.

As a priority, low income vulnerable consumers should be given immediate price protection in the market. We also want to go further by exploring options such as increasing the number of households who receive direct financial support, and ensuring this vulnerable group get the energy efficiency measures they need to make their bills more manageable.

One sixth of GB households have prepayment meters¹², which means if they cannot afford to top-up, they automatically lose their supply. Building on our survey work to understand the extent and nature of self-disconnection in GB, we will work with industry on how they can best support these consumers. We will also look at what more can be done to identify and support those on credit meters who cannot afford to pay for the energy they need.

Benefits changes are often the main cause of people being left with no money for their gas and electricity¹³ or falling into debt in other essential services¹⁴. We have also researched the problems that Universal Credit is causing for household finances. We will explore ways to help people retain access to essential services and stay out of debt when they experience significant income changes.

4.2 Drive improvements in service

Ofgem introduced a new vulnerability principle this year that gives suppliers a broad obligation to vulnerable consumers, similar to those in the finance sector. However, success of this obligation will depend on how suppliers interpret it and we anticipate range of responses. We will introduce an easy to understand indicator for how well each supplier is treating their vulnerable consumers.

Energy UK will be undertaking some major new work to review industry practice, consider evidence and make recommendations for improving outcomes for vulnerable customers. We will support this work by providing evidence and challenge on the areas we think are key for addressing the needs of vulnerable consumers.

4.6 Improve identification of vulnerable consumers and cross-sector

A longstanding issue in supporting to vulnerable consumers is the difficulty providers face in identifying people who need extra support, particularly in energy and postal markets. Language and information can play a key part in consumers' receptiveness to disclosing vulnerability or accepting a support offer. We will explore how behavioural insights can be applied to improve the ways

¹² [State of the energy market](#), Ofgem, November 2017

¹³ 22% of those self-disconnecting cited change in benefit income - [Topping-up or dropping-out: self-disconnection among prepayment meter users](#), Citizens Advice 2014

¹⁴ 25% of those behind with council tax cited change in benefit income as a reason - [Catching up: Improving council tax arrears collection](#), Citizens Advice, July 2016

essential service providers identify people who are vulnerable, as well as improving disclosure rates among vulnerable groups.

We also intend to introduce a tool to allow vulnerable GB consumers to notify their utility companies about their needs through a single form.