

# Citizens Advice draft consumer work plan 2020/21

## Energy UK Response

30 January 2020

### Introduction

Energy UK is the trade association for the energy industry with over 100 members spanning every aspect of the energy sector – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

We represent the diverse nature of the UK's energy industry with our members delivering almost all (90%) of both the UK's power generation and energy supply for over 27 million UK homes as well as businesses.

The energy industry invests over £13.1bn annually, delivers around £85.6bn in economic activity through its supply chain and interaction with other sectors, and supports over 764,000 jobs in every corner of the country.

These high-level principles underpin Energy UK's response to the Citizens Advice draft consumer work plan for 2020-2021. This is a high-level industry view; Energy UK's members may hold different views on particular aspects of the consultation. We would be happy to discuss any of the points made in further detail with Citizens Advice or any other interested party if this is considered to be beneficial. This response is not intended to be confidential.

### Executive Summary

Energy UK welcomes the opportunity to respond to the Citizens Advice consumer work plan for 2020-21. Citizens Advice has a vital role to play in supporting efforts across the industry to further improve customer engagement and ensure a well-functioning market.

The voice of consumers needs to be represented accurately and clearly. It is, therefore, imperative that the positions advocated by Citizens Advice are consistently based on insight from robust consumer research. Energy UK believes that Citizens Advice adds the greatest value to policy debates when there is a tight connection between the position it is advocating and the consumer research underpinning it.

Energy UK recognises that Citizens Advice has a role to play in holding suppliers to account and highlighting areas of concern in public debates. However, Citizens Advice has an equally important role in holding Ofgem to account for its decisions and policy development. Citizens Advice must continue to ensure that it provides Ofgem with robust criticism and evidence to best protect consumers.

Overall, we agree that the approach and priority areas that have been set out for the energy market are appropriate and relevant. Our comments here highlight some specific sections of the draft work plan that Energy UK believes offer an opportunity for Citizens Advice to be ambitious in the scope of its aims.

## **Making markets work for consumers**

### Using data to set prices in essential markets

Energy UK recommends that any framework on pricing needs to be carefully considered to avoid unintended consequences. Prescribing what can or cannot be considered in pricing decisions could restrict innovation which could be poor for competition.

### Reforming institutions to help them protect consumers

Energy UK recommends, as Citizens Advice have done, continued highlighting of the cost of supplier failures and the impact on consumers. We would welcome Citizens Advice's continued support for a strengthened supplier licensing regime.

### Campaigning for microbusinesses to get a better deal

Energy UK agrees that microbusinesses should have appropriate protection, but it is important to avoid drawing comparisons between the domestic market and microbusiness market as there are many examples of domestic protections which would be inappropriate to introduce to the microbusiness market. Instead, we recommend that Citizens Advice's focus should be on assessing whether there are appropriate protections for microbusiness customers – not on ensuring that the same protections exist as for domestic customers.

We would welcome greater clarity from Citizens Advice on what data they think needs to be published and what the benefits are for consumers.

### Helping people make informed choices about energy

Energy UK has long called for Ofgem to be given the powers to directly regulate TPIs in the energy market as we are seeing an increasing risk for customer detriment with the growth in unregulated services. Just over half (54%) of those domestic customers who switched tariff or supplier in 2018 used a price comparison website, compared with 45% in 2017.<sup>1</sup> We are also seeing a growing number of new services such as bill-splitters and auto-switching sites entering the market, as well as non-traditional players providing switching services such as financial service providers.

In the non-domestic sector, it is not new for third parties to play a larger role in the switching and engagement behaviours of customers. In 2018, over two-thirds (67%) of small and microbusinesses used an energy broker to help choose their current energy plan.<sup>2</sup> This evolution is creating opportunities for the industry to further increase customer engagement, particularly as programmes to improve the effectiveness of competition are implemented alongside the continued digitalisation of the energy system.

However, the regulatory regime has not kept pace with these changes and as a result there is a challenge to ensure that customer confidence is retained. Price comparison websites, auto-switching services, non-domestic energy brokers, and other third-party intermediaries (TPIs) are not currently regulated. This is just one aspect of the future energy market that we expect to be addressed as part of the BEIS and Ofgem joint Future Retail Market Design project, in line with recommendations from Energy UK's *Future of Energy* report,<sup>3</sup> in order to ensure that customers remain protected and confident in that protection no matter how they seek to access their energy.

We welcome Citizens Advice's plans for closer scrutiny of the third-party services which are growing in popularity, but still currently remain an unregulated part of the energy retail market. There are many ways in which such services could be regulated to better protect consumers, such as through an Ofgem licence similar to those of suppliers, or a general authorisation regime as used in other sectors. We

<sup>1</sup> [https://www.ofgem.gov.uk/system/files/docs/2018/10/consumer\\_engagement\\_survey\\_2018\\_report\\_0.pdf](https://www.ofgem.gov.uk/system/files/docs/2018/10/consumer_engagement_survey_2018_report_0.pdf)

<sup>2</sup> [https://www.ofgem.gov.uk/system/files/docs/2018/10/micro\\_and\\_small\\_business\\_engagement\\_survey\\_2018\\_report.pdf](https://www.ofgem.gov.uk/system/files/docs/2018/10/micro_and_small_business_engagement_survey_2018_report.pdf)

<sup>3</sup> [https://www.energy-uk.org.uk/files/docs/The\\_Future\\_of\\_Energy/2019/FutureofEnergy\\_ReportSection\\_Chapter1\\_04.19\(1\).pdf](https://www.energy-uk.org.uk/files/docs/The_Future_of_Energy/2019/FutureofEnergy_ReportSection_Chapter1_04.19(1).pdf)

understand that Citizens Advice will soon be publishing a report on this area and we look forward to engaging with the recommendations and exploring the best solutions to protect energy consumers.

### **Better value infrastructure**

#### Facilitating a smart and flexible energy future

Energy UK encourages Citizens Advice to continue to challenge the government and Ofgem to ensure that the continuation of the smart meter rollout remains justified from a cost/benefit perspective.

### **A fair deal for consumers in vulnerable circumstances**

#### Social tariffs

Whilst the independently chaired Commission for Customers in Vulnerable Circumstances recommended that Ofgem look further at social tariffs, it is unclear how this would be possible given the retail price cap in place. We would however welcome Citizens Advice looking at how Warm Home Discount funding could be better targeted.

#### Regulatory compliance and enforcement action on vulnerability

The Commission for Customers in Vulnerable Circumstances came up with a number of recommendations and issues around compliance and enforcement action which Energy UK supports. The new Energy UK Vulnerability Charter will have a rigorous governance process that signatories will adhere to, which could potentially help focus Ofgem's resources on those suppliers who need more help. Energy UK welcomes Citizens Advice's inclusion of the Charter into its energy supplier ratings. This is a source of robust, evidence-based performance information on suppliers in the market, and we would like to see the Charter fully reflected in there.

We would also welcome Citizens Advice reviewing how successful regulators have been in using compliance and enforcement to ensure essential services companies treat customers in vulnerable circumstances fairly, what good practice exists and how it varies across sectors. Furthermore, we would support Citizens Advice exploring compliance and enforcement more broadly – to see how good practice from existing enforcement activities could inform better enforcement for customers in vulnerable circumstances.

#### Ensuring affordable services for consumers

Affordability was a key theme of the Commission for Customers in Vulnerable Circumstances' findings, and it should be stressed that this goes much wider than just energy – many customers simply do not have enough money to make ends meet, and more recognition of this is needed by government and regulators. Energy UK would support Citizens Advice's aims in this area, whilst also recognising the pressure energy suppliers are under.

### **Protecting consumers in rapidly evolving markets**

Energy UK welcomes Citizens Advice's intent to look at how advice, support, and alternative dispute resolution will need to evolve to be fit for the future market. Our analysis of how the customer complaint journey could be improved has illustrated a number of relevant themes that we would be keen to explore further with Citizens Advice and other stakeholders. We believe that the best way to deliver effective customer service is through a principles-based complaints handling framework. Citizens Advice will have a valuable role in shaping a future framework should Ofgem and BEIS decide to review the current regulations. Reviewing the overall advice landscape is particularly significant in the context of Ofgem's planned changes to the current 8-week rule for signposting to the Ombudsman. There are a number of potential benefits and risks associated with this proposal, and Citizens Advice's input will be crucial in ensuring that the advice landscape does not become blurred for customers, with the associated cost and inefficiency to the sector that this would entail.

We note that the foreword to the work plan states *“our evidence on the problems with the smart meter rollout helped inform the government’s decision to extend the deadline to 2024”*, whilst the success story on the smart meter roll out states confirmation that *“the programme deadline will be extended to 2024”*. While we await BEIS’s post-2020 framework, Energy UK suggests that the work plan should say, *“the government’s minded-to position is to extend the smart mandate to 2024”*.

#### Making future energy markets work for all consumers

Energy UK welcomes the proposals and looks forward to working with Citizens Advice in these areas. As Citizens Advice is aware, the role of advice, support and alternative dispute resolution was an important issue in the work of the EV Energy Taskforce with a complaint handling standard emerging as a proposal to be taken forward to ensure electric vehicle users are afforded a good customer journey. It will be important that this work is taken forward and Energy UK suggests that this is included as part of the work on advice, support and ADR in Citizens Advice work, if it is not already.

A key consideration for the year ahead will ensuring that there continues to be clarity for consumers about the advice provision that is available. This is important in the context of the proposed future transfer of the energy helpline for consumers in Scotland from Citizens Advice Scotland to Advice Direct Scotland. Energy UK believes it is imperative that there is a considered evaluation of the impact of the proposed change on energy consumers in Scotland, including how the new body would interact with Citizens Advice Scotland. The interests of consumers will best be served through an Impact Assessment and a full consultation process with stakeholders across the sector, including energy suppliers, the Energy Ombudsman, the Consumer Service, the Extra Help Unit and existing advice providers.

#### A consumer-friendly path to net zero

Energy UK supports the Citizens Advice’s proposals to support a consumer-friendly path to net zero. Energy UK is working with industry colleagues and government on the heat policy roadmap where the distribution of costs is a key issue and will be pivotal to a successful transition to net zero. The uptake of low carbon heating, EV chargepoints and energy efficiency is essential to meeting our net zero target however awareness of low carbon heating remains low and there is little appetite among householders to pay for energy efficiency measures. Energy UK looks forward to working with Citizens Advice to understand consumers’ experiences in installing these products to improve uptake levels and ensure a good customer journey.

**If you would like to discuss the above or any other related matters, please contact me directly on 020 7747 2964 or at [candice.orr@energy-uk.org.uk](mailto:candice.orr@energy-uk.org.uk).**