

# The Citizens Advice Consumer Work Plan 2019/20



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# Foreword

Can the delivery of essential services keep up with consumers' expectations on price, quality and fairness? Will people support markets and competition to carry on delivering them?

In the last year, these have been the central questions in consumer policy. The loyalty penalty in the energy market proved so unsustainable that the government had to intervene directly to protect consumers. This penalty proved just as large in other essential markets, forcing us to use our statutory super-complaint powers for the first time in seven years to ensure consumers in other markets are protected - a prime example of our cross-cutting consumer role in action.

But while this has been the most prominent consumer debate, it's far from the only way in which delivery has failed to meet expectations. For too long, energy network companies have been over remunerated by regulatory decisions, at consumers' cost. Here, it's welcome that Ofgem and other regulators look set to correct course in consumers' favour. We remain convinced that the smart meter 2020 roll-out deadline is unrealistic, leading to suppliers installing meters at a pace that can't guarantee a quality consumer experience.

This work plan will mark our fifth year as the statutory consumer advocate for consumers of energy and postal services. That experience has given us a firm answer to these questions: yes, markets can deliver essential services, but they need to be robustly regulated. Public support can only be sustained if companies provide high quality services at a reasonable price and don't exploit their customers.

This informs our biggest priorities for the coming year, whether it's making sure that customers aren't exploited by the loyalty penalty, getting consumers a good deal in the next round of energy network price controls, making it easier for consumers to opt in to paper statements or opt out of marketing mail, or making sure the smart meter rollout enhances consumers' experience of the energy market.

We've also seen how the knowledge we've gained as a consumer advocate applies to our other policy priorities. Understanding what a good customer journey looks like, or working out how a service can be delivered fairly and efficiently, isn't just relevant to essential services markets. We've applied these

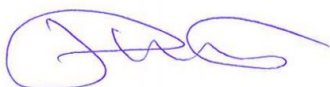
insights across our organisation - from the rollout of Universal Credit to our debt work to reflecting on how we can deliver our own service better.

So one thing we're committed to in 2019/20 is applying our consumer insights more thoroughly to our other work. The government is set to embark on the next stage of Universal Credit roll-out. This process will affect nearly three million people - a third of whom have a disability or long-term health condition. Our extensive experience of customer journey mapping and our work to make sure consumers in vulnerable circumstances are treated fairly holds valuable lessons for this.

We will also be using our insights to help reduce problem debt and strengthen financial inclusion. Government and utility debt collection practices lag behind the financial service sector, and our insight into those markets gives us a strong foundation to help tackle this. We'll use our understanding of consumer behaviour to shape the regulation of financial services so that products help people avoid debt and are accessible.

A major way in which consumers' rights and experiences will be shaped is, of course, our exit from the European Union. Currently it's still unclear what the final shape of the deal will be. Although it's impossible to say precisely what will happen, we stand ready to adapt and change our programme of work accordingly.

We are grateful for the 55 responses - formal and informal - that we received to our draft work plan, and really pleased that they were overwhelmingly positive about our priorities and plans for the coming year. The feedback we received has helped us improve and adjust the final work plan. We are publishing, alongside this plan, a summary of responses and the changes we have made to reflect respondents' input.



James Plunkett  
**Executive Director of Advice and Advocacy**  
Citizens Advice

## Our approach: robust and impactful

As a consumer advocate, we do everything we can to maximise our impact and to make evidence-based decisions. Last year, we introduced four tests to make sure that our work was robust and impactful. We found those tests really helped sharpen our thinking, so we're using them again.

For us to focus on an area, it has to meet the following criteria:

1. Our work is **proportionate** to the evidence or risk of consumer detriment

We build our work plan on the principle of proportionality, focusing our efforts on areas where we believe detriment to consumers could be averted. We scale our overall plan, and the components of the plan, on this basis.

These judgments guide our financials. Over the past two years, we've made 50% cuts to our work representing postal consumers, reflecting the changing nature of that market. While we think we're at a more sustainable level now, we are always looking to be as efficient as possible, so we've proposed a further small reduction in our postal work next year.

In energy, we think the challenges remain as significant as ever and it's essential consumers have a strong voice. Two of our biggest priorities - getting consumers a good deal in RIIO-2<sup>1</sup> and making sure consumers benefit from the smart meter rollout - are enormous undertakings. In the past few years we've taken on a wider role on issues like tripartite working with Ofgem, running the whole of market price comparison tool, and stronger involvement in the RIIO-2 price control process which, up until this point, has not been accounted for in our budget.

We have tried to meet these expanded expectations on us through efficiency savings or re-prioritising. However, we're now at the point that we can't keep responding to expanded demands on us without additional funding for staff. The announcement of government multiple reviews into the sector in autumn 2018 has made this even more necessary as we need to ensure that consumer views are adequately represented as the energy system transforms.

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<sup>1</sup> The next price controls for the network companies running the gas and electricity transmission and distribution networks.

We'll continue to respond to the fast pace of change in this sector by preparing for the networks and markets of the future. In a speech in November 2018,<sup>2</sup> Business Secretary Greg Clark announced a range of reviews into the energy market and signalled the government's intention to bring forward legislative proposals in 2019. We'll ensure that the consumer voice is heard throughout the policy development and consultative processes.

We stress-test the proportionality of our work against various benchmarks. In energy and post, for example, our spend on advocacy costs is just 13 pence and 5 pence respectively per year per household. To ensure intellectual coherence, we work to a framework reflecting the outcomes that characterise a successful consumer market. We assess the need for action against six core outcomes.

### Our six consumer outcomes

<b>Value</b>	Products and services are good value for money
<b>Inclusive</b>	All consumers are served well, including consumers in vulnerable circumstances
<b>Quality</b>	Consumers get what they paid for, and their reasonable expectations are met or exceeded
<b>Redress</b>	If things go wrong, they're put right quickly, with compensation if appropriate
<b>Protected</b>	Products and services are safe and secure to use
<b>Sustainable</b>	The needs of current consumers are met without jeopardising the needs of future generations

### 2. We apply **unique** insights, adding value over and above other organisations

We seek to add value over and above the value of other organisations, and a key aspect of this is our data. The millions of contacts we have with the public each year mean our research and advocacy is, as much as possible, rooted in the real world. We have a unique understanding of how public policy affects people in practice, not just in theory. This evidence comes from our consumer service, Extra Help Unit and local Citizens Advice.

<sup>2</sup> ['After the trilemma: four principles for the power sector'](#), speech by Greg Clark, 15 November 2018.

In addition, our cross-cutting perspective adds significant value. This has been most obvious in our super-complaint to the Competition and Markets Authority (CMA) about the £4.1bn loyalty penalty. But it goes much further than this - our work on how people with mental health conditions can be supported in essential markets, our work on consumer data and pricing strategies, and our work on how to get best value from infrastructure price settlements relies on this cross-sectoral perspective.

Finally, we leverage the unique brand of Citizens Advice. This helps ensure consumers' voices are heard; when we shout about an issue, people listen. Our brand also gives us a unique power to inform and educate consumers with trusted, reliable advice on issues from switching to scams.

### 3. We **engage** consumer groups, government and regulators to avoid duplication

This work plan embodies that principle: it is a living document. We meet regularly with regulators, industry, other consumer bodies, and government officials to discuss and refine our work throughout the year. We engage in many formal processes - such as the Smart Meter Implementation programme and the Post Offices Advisory Group - to embed our work in the wider institutional context, avoid duplication, and make sure we complement the work of like-minded organisations.

### 4. We **focus on outcomes**, using both advocacy and research to shape decisions

There are many positive outcomes from our work, but the most important and measurable for us is better financial returns for UK consumers. In this regard, our work in 2018/19 has paid dividends. Our advocacy for a retail price cap for loyal energy consumers is expected to save this group £76 a year on average.<sup>3</sup> Our super-complaint to the CMA on the loyalty penalty in other markets is already having an impact: Ofcom is consulting on interventions to end the mobile handset loyalty penalty, while the Financial Conduct Authority (FCA) is consulting on a Basic Savings Rate and committing to reviewing the insurance market.

We estimate that if regulators implement what they have consulted on so far, consumers could save £775 million a year.<sup>4</sup> Our work also resulted in better

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<sup>3</sup> Ofgem, [Ofgem proposes price cap to give 11 million customers a fairer deal for their energy](#), September 2018.

<sup>4</sup> The FCA estimates that their proposed Basic Savings Rate will lead to a net saving of £300m; we estimate that ending the mobile handset loyalty penalty could save loyal consumers £475m.

protections in a range of consumer credit markets. Changes to credit card contracts to prevent people getting stuck in debt will save consumers up to £1.3 billion a year.<sup>5</sup> A proposed cap on the cost of rent to own credit could save consumers as much as £62 million per year.<sup>6</sup>

This year our work in post resulted in a number of positive developments for consumers, and we will continue to advocate for more in 2019/20. As a result of our research and advocacy, Royal Mail agreed to stop the unfair practice of per surname charges for mail redirections. Post Office Ltd (POL) agreed to implement our recommendations to introduce an audit of disabled access at branches and to make it easier for consumers to find accessibility information online.

We also established a working group with Royal Mail and POL to develop a solution to homeless people's lack of access to post. We finished our formal role in reviewing post office changes as part of the Network Transformation Programme. Between 2012 and 2018, we reviewed around 2,500 changes and POL provided reassurances or agreed to further improvements in just under 3 in 4 (73%) cases following public consultation.

### The changing nature of advocacy

Because we're focused on outcomes, not outputs, we're always reflecting on how our consumer advocacy should evolve to achieve change. The fundamentals - identifying problems and working to solve them - stay the same. The old methods - writing reports, responding to consultations, taking part in roundtables - remain valuable. But as our focus moves increasingly towards measuring the outcomes we achieve, relying on those methods isn't enough. That's why:

- **We're focusing more on how our unique network can be an agent of change.** Whether it's trialling and creating tools to help consumers in vulnerable circumstances switch, or designing new customer service journeys and offers, we'll make sure we're not just putting the onus on regulators and government to solve these problems, but on ourselves too.
- **We're putting the lion's share of our resource into the areas where we think we can have the best impact for consumers.** While

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<sup>5</sup> FCA, [New credit card rules introduced by the FCA](#), February 2018.

<sup>6</sup> Citizens Advice, [Rent to Return? The need for consumer protection in the rent-to-own market](#), March 2018.



ensuring that we maintain our statutory, whole of market focus where it's important, we'll be more strategic in making sure we focus on our priorities.

- **We're changing customer journeys.** Our own service delivery is transforming, and we'll apply what we've learned about improving customer journeys in our own organisation to the challenges we see in consumer markets.
- **We'll put greater emphasis on the cross-cutting nature of these problems and the value a cross-cutting advocate can bring.** We've had significant successes with this in our loyalty penalty super-complaint. We'll focus on what problems cut across markets even more in the next year.

## Four themes for our work in 2019/20

Applying these tests, this document sets out our plans for 2019/20. The four themes for our work this year are:

**Making markets work for consumers.** Too often, markets are tilted against consumers. In this chapter, we set out how we'll fight the consumer's corner, balancing out pressure from incumbents.

**Better value infrastructure.** Essential markets rely on investment in new projects and maintaining existing infrastructure, which is typically funded by consumers or taxpayers. This chapter sets out how we'll fight for consumers' interests in technical negotiations about a part of the market that is often unseen.

**A fair deal for consumers in vulnerable circumstances.** These consumers are more likely to suffer harm in essential service markets. This chapter sets out how we'll stand up for consumers in vulnerable circumstances and make markets work better for them.

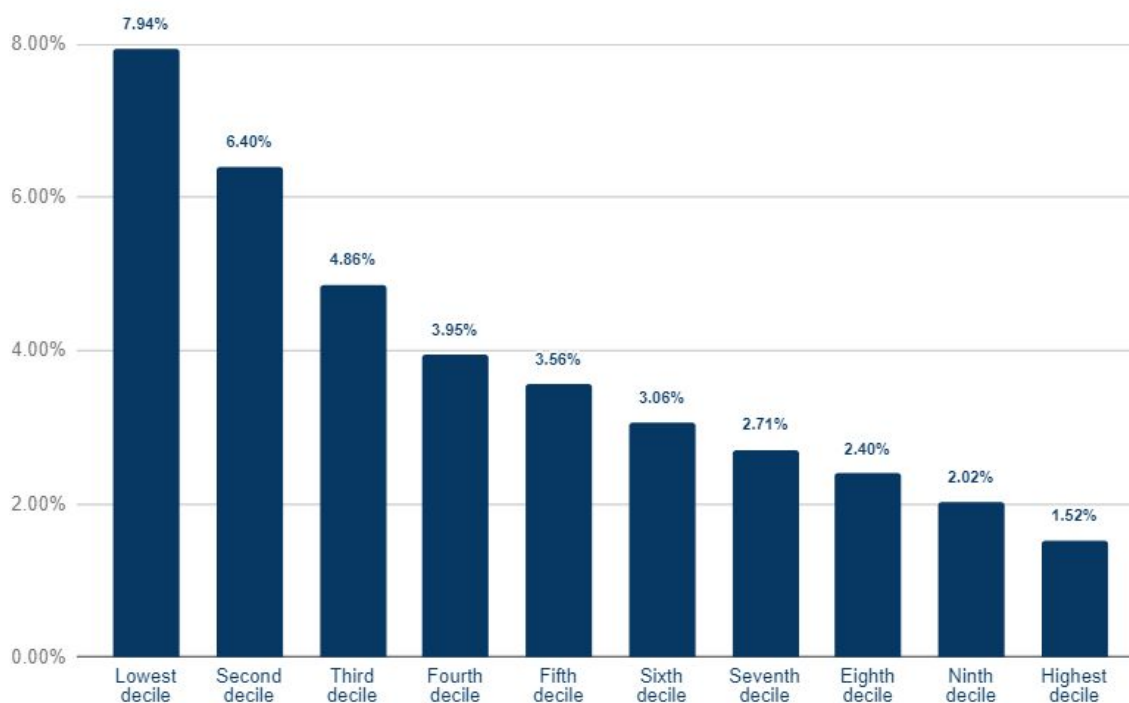
**Protecting consumers in rapidly evolving markets.** Technology and data are transforming existing markets and enabling new ones. This chapter sets out how we'll advocate for consumers in new, complex and unregulated situations.

# 1. Making markets work for consumers

We will continue to speak out on behalf of consumers where markets are tilted against them. This includes monitoring the roll-out or continuation of major projects, such as the implementation of the market-wide price cap in energy, and working directly with sector stakeholders as part of our consumer advocacy remit. We will identify and rectify market failures, such as the loyalty penalty, and drive regulators to ensure markets work fairly.

## 1.1 Tackle the loyalty penalty (Cross-sector)

In 2018, we made a super-complaint to the CMA about the £4.1bn consumers are overcharged for their loyalty in essential markets.<sup>7</sup> The penalty disproportionately hits consumers in vulnerable circumstances and low-income consumers.



**Figure 1: Loyalty penalty accounts for higher proportions of low income households' expenditure (by decile group)**

Source: Office for National Statistics, January 2018

<sup>7</sup> Citizens Advice, [Excessive prices for disengaged consumers: A super-complaint to the Competition and Markets Authority](#), September 2018.

Our aim is for markets to work for all consumers, not just those with the capacity or time to shop around. This will remain a central focus in 2019-20.

We will make sure consumers' voices are heard in the regulatory action and reviews that are tackling this problem in essential markets. Effective action has already been taken in the energy market. In other markets, regulators should put in place protections for consumers who don't engage in the market, to limit the extent to which companies can exploit them.

We'll examine whether the loyalty penalty is consistent with regulatory principles in certain sectors that require firms to treat customers fairly. We'll consider whether regulators are doing all they should to enforce their existing rules to reduce the penalty. We'll also review whether regulators have the right powers and duties to protect consumers from the loyalty penalty (Ofcom, for example, has no fairness duty in the telecoms market).

It isn't just the job of regulators to fix the loyalty penalty. New technology, in the hands of those who don't switch, could also help. We'll continue to trial partnerships that bring these tools together with our unparalleled reach into communities and contact with people who could most benefit from them. Our aim is to make sure these technologies work for the most vulnerable so we will continue our work with firms in consumer sandbox, encouraging them to co-produce their products with our clients. However, we recognise that some barriers to switching cannot be solved by technology alone, and this will be central to our work with regulators.

## **1.2 Help consumers switch energy supplier (Energy)**

The introduction of a price cap on default tariffs should protect consumers from the most exploitative prices. But they'll still be better off if they shop around, and we will work to make this easier for them.

We directly support consumer engagement in the market - through our local network, digital offer and telephone helpline. Our aim is to provide people with tactical advice to help them get the best deal from the energy market

In addition we'll continue to provide a whole-of-market price comparison tool through our website. We'll also monitor the market, including trends in supplier pricing and tariff design, and the effectiveness of the price cap. It's important that quality of service is maintained and we'll track a range of metrics about supplier performance.

Our supplier star rating tool, which helps consumers make informed choices by ranking suppliers on their customer service performance, will be developed further. We'll also keep using it as a tool to highlight good and poor practice, and to provide reputational incentives for suppliers to improve their performance. We'll seek to widen the audience for the rating, to other price comparison sites and new auto-switching services.

Easily accessible consumption and tariff information can help consumers choose the best deal and reduce the hassle of switching. We'll work to ensure Ofgem deliver these benefits and protect data privacy as they develop an application programming interface (API) to provide this data to consumers. We'll continue to be deeply engaged with Ofgem's long-term programme to make the switching process faster and more reliable. And we'll work with Ofgem to develop proposals for new compensation to ensure consumers get redress when switching goes wrong.

We will modify our monitoring tools to better understand the scale and nature of complaints and issues relating to auto-switching services. Where appropriate, we'll modify the scope of our tripartite work with Ofgem and Ombudsman Services: Energy to consider the impacts of emerging technologies on switching experiences.

### **1.3 Keep the smart meter roll-out focused on consumers (Energy)**

As more people have a smart meter installed, we'll continue to play an active formal role in the programme. We'll also continue to investigate what the smart meter experience is like for consumers. The data and insight we collect from the consumers contacting our service will be used to share good practice and improve supplier performance. We'll also use our data to identify systemic issues which might need intervention from BEIS or Ofgem. To improve the installation experience, we'll commission research to understand how the acceleration of the rollout (when SMETS2 meters are installed in earnest) has been experienced by consumers across England, Scotland and Wales. We'll use this to inform our policy work and share findings with BEIS, Ofgem, SEGB and others to make this process better.

Our formal role on Ofgem's Half Hourly Settlement (HHS) reform programme will continue to ensure that the move to a market-wide half-hourly settlement delivers benefits to all consumers. We'll also continue to scrutinise the Data and Communications Company (DCC) price control, pushing for changes so it delivers good value for consumers.

As part of our programme on future energy consumers,<sup>8</sup> we'll build on our existing work on consumer needs and smart technology flexibility. Additionally we want to ensure that consumer protection is built into this rapidly changing market from the outset. We'll focus this work on three main areas: consumer protections and support, consumers in vulnerable circumstances, and customer interactions with this new enabling technology.

#### **1.4 Promote better outcomes for small business customers (Energy)**

Our recent joint research with Ofgem examined micro-business engagement in energy markets. We'll build on this in 2019/20, commissioning further survey work to diagnose the causes of limited or ineffective engagement.

BEIS recently announced its intention to conduct a joint review with Ofgem into whether new protections are necessary for small and micro-businesses, many of whom are paying too much for their energy, and we'll engage with and support that review.

As with our work in domestic energy markets, we'll work with suppliers to highlight both good practice within the sector and tackle bad practice.

#### **1.5 Improve industry processes (Energy)**

We will work with suppliers and other market participants, sharing an expanded range of information to help them improve their policies and processes. This will include improvements to the way we use and publish supplier rating data, and expanding the coverage of our star rating tool to include more smaller suppliers. To tackle performance issues, we'll develop and disseminate good practice guidance. This will include a particular focus on emerging or high materiality issues, such as those relating to the practical application of Ofgem's Supplier of Last Resort process.

Our tripartite work with Ombudsman Services: Energy and Ofgem, that identifies and responds to trends in supplier and industry performance, will continue. Where supplier performance is unacceptably poor we'll refer cases to Ofgem for compliance or enforcement action. We'll work with our tripartite partners and other stakeholders to understand the effectiveness of the current customer journey for energy complaints and identify any improvements. This will include

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<sup>8</sup> Citizens Advice, [Future Energy Consumers](#).

consideration of how the consumer service can continue to evolve to best meet user needs.

We'll continue to engage with Ofgem's licensing review, and argue for tougher market entry requirements for suppliers and ongoing performance monitoring backed by swifter regulatory action when standards aren't met. We also want to see action to reduce the socialised costs when suppliers fail.

The framework for competition in the energy market, and also for access to and use of the monopoly networks, is largely set out in a series of industry codes. We have seats on the governing panels of a number of these codes. We'll engage with the joint Ofgem/BEIS review to push for transparent, accountable, effective arrangements that deliver good outcomes for consumers across England, Scotland and Wales.

We have co-commissioned a new omnibus tracking survey with Ofgem, and we'll use it to broaden our understanding of consumer attitudes to the energy sector. Together with our own data, it will provide evidence on what people across England, Scotland and Wales want and need from the energy sector, allowing us to prioritise our work.

## **1.6 Examine whether the Universal Service Obligation (USO) continues to meet consumer need (Post)**

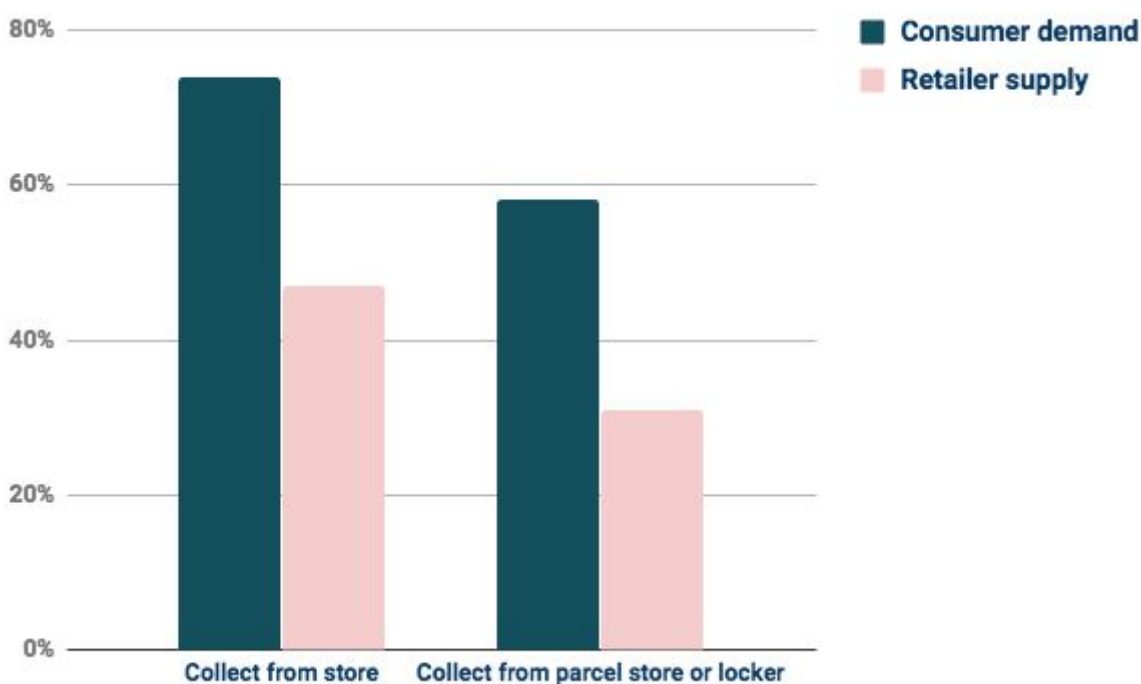
Following on from our monitoring and desk research in 2018/19, we'll work with Citizens Advice Scotland and the Consumer Council for Northern Ireland (CCNI) to investigate whether the USO is continuing to meet consumer needs, surveying attitudes to its current form and future scenarios.

Although no short-term changes are anticipated to the scope of the USO, other countries have responded to the structural decline in letter volumes by reducing its scope. There are ongoing discussions at EU level regarding the future of national posts. We expect the European Regulators Group for Postal Services to consult on its draft Opinion on the Postal Services Directive before developing proposals for the European Commission in Summer 2019. We therefore need to be prepared to represent UK consumers' views as this debate continues.

We'll also continue to work with Royal Mail on fairer pricing for mail redirections, building on our previous successes to ensure that the cost of redirecting mail is affordable for everyone.

## 1.7 Strengthen consumer voice in markets where people have less choice (Cross-sector & Post)

In some markets, such as telecoms and financial services, a lack of effective competition results in poor outcomes for consumers. In post, although consumers can choose where they buy goods, they don't have much, if any, choice about how and where these are posted. For example, although there is significant consumer demand for third party click and collect to locations such as parcel shops and lockers, the majority of retailers still do not offer these options.



**Figure 2: Percentage of shoppers who want certain delivery options vs. the percentage of retailers who offer them<sup>9</sup>**

We will explore a range of markets where we suspect there is a lack of effective choice in part or all of a transaction. This may include market features such as overdraft limits, purchasing additional data on mobile phones, and the provision of direct contribution pensions: instances where a consumer is forced to use a specific provider. This work will consider the impact on consumer outcomes and look at ways to promote competition in these areas.

In post, we will take a customer journey approach to understanding the detriment UK consumers face in the parcels market. This will cover all the points at which consumers engage with the parcels market, including: delivery,

<sup>9</sup> IMRG, [Click and Collect Review](#), 2018.

collection, returns, complaints and redress, as well as following up on our previous research mapping consumer access to parcel Pick Up Drop Off (PUDO) points. This comprehensive overview will provide us with a framework with which to contextualise our existing research, and enable us to more effectively target any new research which is needed. Where we identify consumers are facing detriment we will work with Citizens Advice Scotland, CCNI, and industry to develop holistic solutions which are proportionate, inclusive, and sustainable. These insights will also help us to fine-tune our consumer education campaigns, focusing them around the areas of greatest detriment.

### 1.8 Estimate the scale of consumer detriment (Cross-sector)

Every year, millions of UK consumers suffer from some form of consumer detriment, be it a delayed delivery, substandard service or buying a faulty item. Such experiences are a familiar feature of everyday lives, but quantifying the scale and impact of these experiences in a systematic way is a complex task.

We estimated that in 2015 the total cost of consumer detriment was £23bn - an average of £446 per adult.<sup>10</sup> The consumer landscape has shifted considerably since then and we'll look to update this research in 2019/20.

**Figure 3: Breakdown of consumer detriment by problem type and cost**



<sup>10</sup> Citizens Advice, [Consumer detriment: counting the cost of consumer problems](#), September 2016.



Working with Consumer Protection Partnership (CPP) partners, we'll part-fund the 2019/20 consumer detriment survey. We'll establish whether the total detriment has changed, both at an economy-wide and sector-specific level. We will extend the research to consider hidden forms of detriment where possible. This research will be done in collaboration with the CPP and broken down by England, Wales and Scotland. Following feedback on our draft work plan, we will work with CPP partners to consider how to capture the experience of consumers in the private rented sector, noting that some problems, such as fuel poverty, may particularly affect that tenancy type.

The UK is scheduled to have left the European Union when we conduct this research. Therefore we'll examine what, if any, impact this has had on consumer detriment.

## 2. Better value infrastructure

Essential markets rely on investment in new projects and maintaining existing infrastructure, which is often funded by consumers or taxpayers. Investment in these areas must be well managed to ensure good value for money and positive consumer outcomes.

Where markets are dominated by a monopoly provider, regulators need to take an active role to ensure that they have struck the right balance between consumers' and companies' financial interests.

We'll know that we've succeeded in tackling these issues if consumers get a better deal in the next round of energy network price controls; future infrastructure developments deliver good value for consumers; access to a high quality post office network and essential financial services - such as cash - is maintained; and bills are reduced for consumers in regulated monopoly sectors.

### 2.1 Advocate for better value networks (Energy)

As we move towards the beginning of RIIO-2, we'll keep working closely with the energy networks and Ofgem to ensure that this next price control delivers better value for consumers. Consumers are set to overpay their energy bills by £7.5 billion in the current price control (RIIO-1).<sup>11</sup> This needs to be reduced in RIIO-2, and we will focus our advocacy work and evidence gathering on this key issue to make a strong case in consumers' interests.

Until the RIIO-2 price control is finalised, we'll maintain our direct engagement with Ofgem, and in their various workshops and working groups, in order to shape the narrative around the proposed changes. We'll also promote the interests of consumers in vulnerable circumstances to ensure they receive the same level and quality of service as other consumers.

We will continue to work with the energy networks and the system operator directly, as well through their various customer engagement groups in conjunction with Citizens Advice Scotland, to ensure that their business plans for RIIO-2 deliver a quality service at a fair price. Our membership of Ofgem's RIIO-2 Challenge Group, representing consumers in England, Scotland and Wales will also enable us to drive these issues and other topics as they emerge.

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<sup>11</sup> Citizens Advice, [Energy Consumers' Missing Billions](#), July 2017.

Across all these areas of work, our scrutiny of the financial methodology that supports the RIIO framework will continue - we will challenge the views of industry parties by providing a strong consumer voice. As we look ahead to ED-2, we'll ensure lessons from other sectors are reflected in that price control.

## **2.2 Ensure that networks are delivering on their promises (Energy)**

On the guaranteed standards set for energy networks, our most recent analysis of performance between 2015/16 and 2017/18 for consumers in England, Scotland and Wales found electricity distribution networks were performing strongly against these standards. However, our evidence shows that there is a large degree of variability in performance between gas networks, particularly on interruptions and customer service standards. We're currently assessing network company performance and will continue to build on this in 2019/20, using this analysis to examine how the standards could be modified to better reflect consumer needs as part of the new RIIO-2 framework.

We'll continue to review how networks deliver against their social obligations. Due to the different timing of RIIO Electricity Distribution 2 and RIIO Gas Distribution 2, we may focus more specifically on electricity distribution networks, as potentially much of the obligations for gas distribution networks (GDNs) are already under review. We will follow up on our previous research,<sup>12</sup> as well as addressing what best practice means for the design of network incentives.

Many energy network connections are built and operated by independent distribution network operators (IDNOs) and independent gas transporters (IGTs). This has the potential to deliver benefits, for example by enabling housing developers to choose from a number of network providers. However, it is important that they provide adequate consumer protections. They aren't required to follow the same regulations as traditional electricity and gas networks, and - due to limited reporting requirements - there is not enough clarity about how well they're delivering for consumers. Taking forward our previous work, we'll engage with the industry and Ofgem to build a better understanding of the key issues in this sector.

## **2.3 Ensure future energy networks meet consumers' needs (Energy)**

We'll continue to monitor and be involved in discussions around the changing role of networks and whether they should have a more active role in system

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<sup>12</sup> Citizens Advice, [Networks' Good Intentions](#), September 2016.

operation. For example, we continue to feed into the ENA Open Networks project looking at how the Electricity System Operator and Distribution Network Operators (DNOs) can coordinate the system better, and what new roles DNOs may have to take on to become Distribution System Operators. Networks will need to demonstrate how they will resolve the conflicts between being both a market facilitator and providing network solutions. We'll advocate to ensure that the right conditions and incentives are in place to promote future systems that deliver quality and fair services for all consumers across England, Scotland and Wales.

We have formal roles on panels and technical groups that govern the energy system, representing consumers' interest and advocating for changes that can save consumers millions of pounds. In 2018/19 we carried out work around Core Network Access for consumers and micro-business, and we'll extend this in 2019/20. We want to build our evidence base for advocating for consumers' needs in Ofgem's Significant Code Review. This might involve further and more defined research, depending on the rapid development in this sector. We'll take an active role in task forces and work groups to ensure proposals are moved towards resolution and implementation.

Through the Significant Code Review of Charging we'll continue advocating on behalf of consumers and micro-businesses to ensure that electricity charging reforms are fair and that consumers in vulnerable circumstances are protected. We will seek to do this in conjunction with Citizens Advice Scotland.

We aim to establish an independent evidence base of what energy consumers want from their energy networks. This may cover pertinent issues such as fairness, as well as the correct sharing of costs and risks between network stakeholders.

## **2.4 Improve consumer protections for electric vehicle drivers (Energy)**

The electric vehicles (EV) space is changing rapidly. We'll continue our work in this area, for example by analysing calls we receive from EV and plug-in hybrid drivers and sharing this information with industry and policy-makers. Our monitoring of new market offers related to EVs, such as new tariffs, will also continue. We'll maintain our relationships with industry parties such as the EV Energy Taskforce, leading on the topic of user experience and consumer protection, which will deliver recommendations in July 2019. Similarly, we'll keep feeding into industry debates about introducing regulation in the charger operator sector.

Given that the early experiences of EV users are still unknown, we'll fill this research gap by commissioning a survey of EV and plug-in hybrid drivers in England, Scotland and Wales. We'll aim to capture users' experiences of public charging infrastructure, charging services and suppliers. Given the fast-changing nature of the sector, we may need to adjust these aims.

## **2.5 Ensure better value from monopoly services (Cross-sector & Energy)**

Regulated monopoly services, like energy and water, have come under increasing scrutiny in recent years. Regulators haven't struck the right balance between consumers' and companies' financial interests. In 2019/20 they will need to address this problem. Ofgem and Ofwat have indicated that they will agree the lowest cost of capital in the history of British economic regulation. We will hold them to that standard.

We'll continue to apply the insights we have developed in the energy sector to other markets, arguing for materially lower bills for all consumers across regulated monopoly sectors.

We'll review how these companies are financed and structured, and whether this has contributed to their windfall gains.

We'll examine whether alternative models of delivery for monopoly services would lead to better consumer outcomes and whether there is scope to widen the use of competition.

## **2.6 Ensure access to essential physical infrastructure (Cross-sector & Post)**

Community access to financial services like current and savings accounts and cash is essential. In the last 20 years, nearly two-thirds of bank branches have closed, often hitting areas of low population density such as Scotland and Wales hardest.<sup>13</sup> Changes to the ATM interchange fee paid through the Link network threatens recent progress on free access to cash.

For some communities, access to banking services is both essential and uneconomic for companies to provide. For transactional banking, that problem has been partially solved through the creation of basic bank accounts. We'll consider how access to essential physical infrastructure can best be funded.

There are more post office branches around the UK than all other banks combined, and the post office network has offered basic banking services to

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<sup>13</sup> House of Commons Library, [Bank Branch Closures](#), October 2018.

almost all consumers and small businesses for the last two years. Despite this, our research has found some staff are unsure how to complete banking transactions and shoppers can't always access the services they should.<sup>14</sup>

This is also an important cross-sectoral issue. As part of our cross-cutting consumer research programme, we'll work to ensure that the Post Office can deliver a sufficient quality of banking services for communities and local businesses across the UK - this research will be entirely funded from outside the levy. Where there are gaps in provision, we'll generate recommendations for POL and the banking sector to improve access.

We will also continue our work to ensure consumer access to a high quality post office network is maintained. During the Network Transformation Programme, we were able to secure improvements or reassurances in just under three in four (73%) cases, a total of 2,500 post offices.<sup>15</sup>

Following the end of this programme, we'll keep monitoring Business As Usual changes to the post office network across England, Wales and Scotland, and make suggestions to POL where appropriate. But we'll do this in a more focused way - and only retain a formal advisory role in changes to Crown post offices across Great Britain that are relocated and franchised.

As part of our ongoing monitoring role, we'll be building on the first wave of our consumer satisfaction survey, commissioned last year, with qualitative research with GB consumers to give us richer insight into this area.

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<sup>14</sup> Citizens Advice, [The government needs to find out why people aren't banking at post offices](#), November 2018.

<sup>15</sup> Citizens Advice, [Post offices matter to communities](#), October 2017.

## 3. A fair deal for consumers in vulnerable circumstances

Consumers in vulnerable circumstances are more likely to experience harm in essential service markets. Our recent research showed that some consumers in vulnerable circumstances are disproportionately paying the loyalty penalty and that they are more likely to seek advice from our services. Over time, understandings of vulnerability have evolved from regarding it as simply a permanent characteristic driven by demographics, to a transient characteristic driven by circumstances. We'll apply this more nuanced approach in our work, and seek to both tackle the causes and address the symptoms of transient vulnerability.

Success in this area will mean that people in vulnerable circumstances are better able to access the products and services that are central to their daily lives. We'll help to ensure people in vulnerable circumstances are treated fairly and get good value in energy, postal and other essential markets.

### **3.1 An energy market that meets the needs of consumers in vulnerable circumstances (Energy)**

Ofgem will shortly publish its draft vulnerability strategy and we will engage fully with the regulator throughout the consultation process. We will ensure their deliberations are informed by our evidence of the challenges facing consumers in vulnerable circumstances in the energy market as well as our views on where obstacles can be removed and extra support provided.

In 2019/20 we will publish new information that assesses energy suppliers on their treatment of consumers in vulnerable circumstances, with a particular focus on affordability and accessibility. We'll be consulting on the right approach, and it will take into account Energy UK's forthcoming Vulnerability Charter, based on the findings of its Independent Commission for Customers in Vulnerable Circumstances.

We are continuing to investigate the viability of hosting a new tool that allows consumers or their agents to sign them up to all relevant Priority Service Registers in the energy and water sectors. We'll deliver this service if these plans suggest a workable, good value solution is achievable.

Through the consumer service, Extra Help Unit (EHU) and local Citizens Advice we have access to rich data about the consumer experience. The EHU's statutory duties and powers to investigate complex complaints for consumers in vulnerable circumstances gives us an in-depth understanding of emerging issues with particular suppliers. The EHU will continue to support these consumers, investigating their issues, obtaining financial redress and helping suppliers to improve their services.

We will seek to ensure that all suppliers are operationalising their commitment to respond to transient vulnerability.

### **3.2 Warmer homes: improve household energy efficiency (Energy)**

Around 1 in 10 households in England live in fuel poverty, unable to keep their homes warm without being pushed below the poverty line.<sup>16</sup> We often see the effect this has on the health and wellbeing of people who contact us for help. Our focus on the policy interventions that can help to prevent fuel poverty will continue - including action on energy prices, direct financial support to relevant households, and energy efficiency schemes. We'll work to ensure plans to improve energy efficiency post-2022 (when this phase of ECO3 ends) include guaranteed support for households in most need, as well as a leadership role for local authorities and/or energy networks.

Much of the policy around fuel poverty in Scotland is in the process of being devolved to the Scottish government. We'll continue to work with Citizens Advice Scotland to ensure our work takes account of the challenges facing fuel-poor Scottish consumers and the government's plans for tackling them.

We will commission research to improve understanding of consumer attitudes to household energy efficiency, both to inform our policy work and to help improve our advice provision. We'll also be updating our analysis of the impacts of cold homes, and of the costs and benefits of a more ambitious national approach to energy efficiency.

This will be a crucial year in the development of the Energy Company Obligation. We'll push for improvements to the design of the scheme, particularly its role in tackling fuel poverty.

We will continue to monitor consumer experiences of installing energy efficiency measures in their homes, and whether there is a need for more protections, or

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<sup>16</sup> Department for Business, Energy & Industrial Strategy, [Fuel poverty statistics](#), June 2018.



enforcement activity, when things go wrong. We will continue to be mindful of the specific issues that consumers off the gas grid face, be that in relation to fuel poverty, household energy efficiency and access to support, or issues they face due to the fuel they use to heat their homes.

### **Big Energy Saving Network and Week**

The Big Energy Saving Network and Week includes local groups and charities across England, Scotland and Wales that work at the heart of their communities. The Network includes Energy Champions that provide face-to-face energy saving advice and assisted action through events and outreach programmes, targeting consumers struggling to engage with the energy market.

In 2018/19, we focused on streamlining Big Energy Saving Network and our Energy Best Deal programme to deliver a single community outreach programme. We ran a series of design workshops to identify challenges and how this work could be better joined up with our other energy programmes.

In 2019/20, we will deliver the first phase of our redesign programme, which will include online training modules and a quality assurance framework. We'll continue our design programme to embed Big Energy Saving Network and Big Energy Saving Week in our wider customer journey work and ensure that it meets the needs of consumers, provides the advice, help and information at a time when it is most needed, and also provides a clear pathway if further assistance is needed.

We will expand the network to include organisations that target vulnerable groups in previously untapped areas. We will ensure that people know where to go for help and advice on energy.

These three initiatives, Big Energy Saving Network, Big Energy Saving Week and Energy Best Deal, are complementary in their nature, and also dovetail with the advisory and support work of a range of other charities and organisations that are working to help consumers navigate the market and cut their bills. So we will work to build coalitions and partnerships to maximise their value and reinforce consumer messaging.

We will ensure that every adviser can provide consumers with a consistent level of energy advice to a minimum standard and can feel confident about referring consumers to more specialist advice when required.

We will use evidence to learn about 'what works' in delivering energy advice and to further improve the offer. We can learn a lot about the specific barriers people face and the types of advice and support that lead to positive outcomes by evaluating our evidence.

### **3.3 Ensure support systems work effectively for consumers in vulnerable circumstances (Cross-sector)**

Our research with consumers in vulnerable circumstances and our advisers shows that extra support for these groups is patchy, variable and difficult to access. Essential service providers should do more to ensure effective and consistent support is available to those who need it.

Building on our ongoing research into the quality of support provided to people with mental health problems in essential markets, we'll promote a minimum standard of support that providers should offer. We'll make sure this support offer works for people whose mental health problem affects their day-to-day life significantly and for people whose mental health problem fluctuates. We will continue working closely with consumers, providers, regulators and our advisers to hone these support standards, and assess how they can best be implemented.

We will also explore the attitudes consumers in vulnerable circumstances have to disclosure in essential service markets across England, Wales and Scotland. This will reveal key barriers to disclosing specific vulnerabilities, such as life events and long-term health conditions.

Finally, one of our big priorities in the upcoming year will be the managed migration of three million benefit claimants to Universal Credit. We'll make sure that everything we've learned about people in vulnerable circumstances and good customer journeys is applied to this unprecedented service delivery challenge.

### **3.4 Make markets accessible for consumers in vulnerable circumstances (Cross-sector)**

Our research into the loyalty penalty and the experiences of people with mental health problems in markets has shown that some consumers struggle to access essential markets and get a product or service that works for them.

Some basic services - such as basic bank accounts and BT Basic - already exist, and we'll explore these and whether they work for vulnerable groups. We will also look at consumers in vulnerable circumstances' access to face-to-face support in physical locations.

### **3.5 Ensure disabled people have equal access to postal services (Post)**

Our existing research shows that disabled consumers face particular barriers to accessing post offices and postal services. Our advocacy on behalf of disabled consumers will continue to ensure they have fair access to postal services. This will involve engagement with operators, retailers and physical access point providers.

In response to our previous research, POL has committed to implementing our recommendations. We'll continue to work with POL to ensure the processes put in place are designed effectively to meet the needs of disabled consumers around the UK and that disability information on its branch finder is further improved.

We have also been working with Royal Mail and parcel operators across Great Britain to ensure delivery services work for disabled consumers. We are in talks with several operators about setting up trials of solutions. As online shopping continues to grow, it is vital that disabled consumers have parity of access to delivery services. Our work to get operators and retailers to sign up to our delivery charter for disabled consumers, and enable disabled consumers to specify any additional delivery needs they may have, will continue.

### **3.6 Using the post to access essential services (Post and cross sector)**

Post is a vital channel for many consumers to access essential services such as banking, healthcare and benefits. We want to ensure these consumers can do so easily, safely and without a disproportionate financial burden.

We will conduct research to understand who is reliant on post to manage their essential services, and work with stakeholders to ensure this is always an affordable option. Our research will also explore the importance of being able to access post in a safe and secure way for people in vulnerable circumstances across England, Wales and Scotland.

As part of our research and advocacy on homeless people's access to post, we've established a working group with Royal Mail and POL to look at ways of addressing the issue. We'll continue to work with interested stakeholders to

ensure that homeless people across Great Britain have access to a fixed postal address from which they can receive post and access essential services.

## 4. Protecting consumers in rapidly evolving markets

With consumer markets changing fast, our advocacy work will focus on ensuring that regulatory protections are updated and evolve to reflect the new realities consumers are facing. The low carbon transition and new possibilities opened up by big data will create huge challenges and opportunities to change and improve the way that markets serve consumers.

We'll look to maximise the benefits that these changes can deliver, while ensuring that consumers in vulnerable circumstances are not left behind. While some developments, like personalised pricing and new threats to privacy will be driven by new technology, others like Brexit and the introduction of heat regulation will be shaped by changes to governance and market rules. We'll develop and utilise a compelling evidence base on both technology and market design to positively shape the consumer landscape of the future.

### Consumer rights as we leave the European Union

Leaving the European Union is a key challenge facing government and civil society. Alongside adapting our advice content and ensuring our service is ready for all eventualities, we'll work on:

- Tracking Brexit-related issues (such as consumer and immigration queries) in our service, to help inform government and stakeholders about emerging issues and trends.
- Contributing to the Consumer Protection Partnership's ongoing work on ensuring we're ready to help consumers deal with any changes to the consumer landscape.
- Monitoring the effects of Brexit on cross-border post, working to ensure the ability to send and receive parcels outside of the UK is maintained.
- Undertaking more detailed analysis of the impacts on energy and postal markets as relevant.

#### 4.1 Ensure future energy markets meet consumers' needs (Energy)

In 2019/20 we'll continue our programme of work to ensure that the needs and interests of *all* energy consumers are central to the plans for the future energy market. New ways of generating, distributing and using energy should bring

significant benefits for consumers, energy systems and the environment. It's essential that consumer protections are built in from the start.

In a speech in November 2018,<sup>17</sup> Business Secretary Greg Clark announced a range of reviews into the energy market. These include a review of licensing activity, the industry code regime, and engineering standards, to see whether these are constraining innovation and competition, along with a wider review of the retail market. He also signalled the government's intention to bring forward legislative proposals in these areas in 2019. We will ensure that the consumer voice is heard throughout the policy development and consultative processes.

We'll continue to develop our work on smart appliances, products and services, considering what the consumer protections should look like. We'll ensure consumers are at the heart of discussions about decarbonising heat, and commission research to help better understand consumer awareness and appetite for changing the way we heat our homes.

Looking to the future, we'll investigate how smart technology solutions can help consumers in vulnerable circumstances. This project's aims are to better understand the challenges this group faces, assist their engagement in the market and help reduce their costs.

We'll deliver a piece of work on legal protections in future markets which will look at two topics. First, the role and regulation of third party intermediaries (TPIs), which will play an increasingly influential and diverse role. Second, consumer protection in flexibility markets, reviewing to what extent consumers are protected (e.g. through EV smart chargers). The government and Ofgem have said they are open to considering changes to consumer protection, and this work should provide recommendations on how best to do so.

We'll also commission a full distributional analysis of future business models in the evolving energy markets, including how this is impacted by housing tenure. This will inform our advocacy work on future price protection for consumers in vulnerable circumstances and could inform our work on a consumer protection framework for a post-supplier hub world.

As the energy market adapts to the needs of the future, we'll assess the extent to which this is generating good value for consumers. This will involve exploring the impact of a range of renewable technologies and how their route to market

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<sup>17</sup> ['After the trilemma: four principles for the power sector,'](#) speech by Greg Clark, 15 November 2018.

can be enhanced, especially for long-term technologies once they are delivering below projected market prices.

## **4.2 Shape the regulation of heat networks (Energy)**

In 2019/20 Citizens Advice will ensure that consumer protections are at the heart of the forthcoming regulation for the heat networks market. Customers on heat networks can't switch supplier. There is also no requirement on these heat network suppliers in relation to advice or redress, and there is huge variation in the way they share information about price and cost.

Domestic dwellings and small business premises on heat networks currently represent a small share of total heat demand in the UK. However, this share is set to grow significantly over the coming years as the government seeks to rapidly decarbonise heat in order to meet its statutory climate targets and carbon budgets under the Climate Change Act.<sup>18</sup> It is therefore important that effective consumer protections are introduced as soon as practically possible.

In 2019/20 we'll be working with BEIS, the Scottish government, the CMA, trade bodies and the regulator to shape the future regulations for this market. Our work on this will cover a number of issues, including: reviewing and sharing good practice from heat suppliers; improving our understanding of the effect of tenancy types on heat network consumers' experiences; and investigating the potential consumer impacts of alternative market models.

We will continue to press the CMA to review the heating oil market.

## **4.3 Investigate firms' use of consumer data (Cross-sector & Post)**

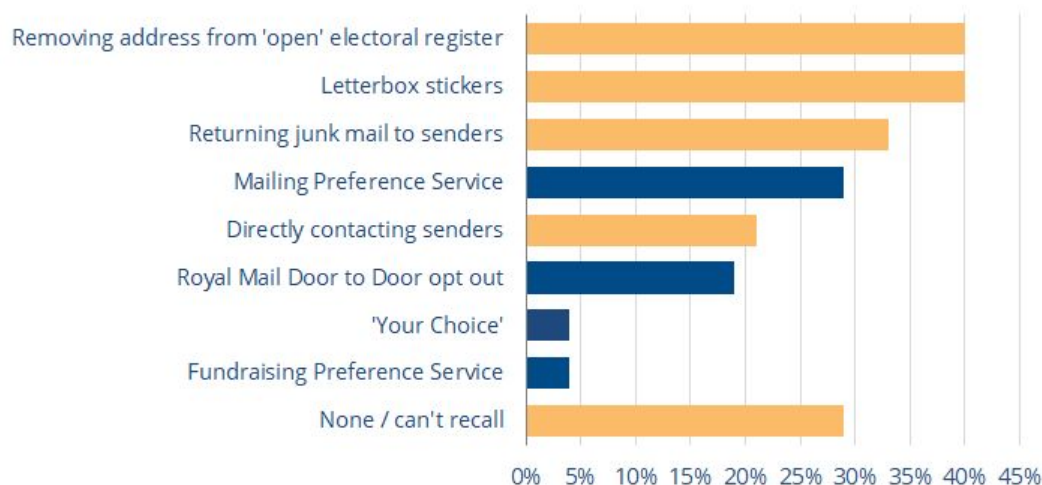
More personal data about us is being produced than ever before. For example, by 2020, 53 million smart meters in UK homes will be generating unparalleled levels of data about our energy use. This data has the potential to be a powerful tool for consumers if it is placed in their hands. Meanwhile firms are harnessing this data for their own advantage, investing in huge datasets about us and building algorithms to predict our willingness to pay.

In light of GDPR, we'll consider whether data is being collected about consumers in a way that is consistent with their legitimate interests. We'll review this across essential markets. This has a particular impact on post, where we know that consumers do not like receiving marketing mail, but aren't always sure how to

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<sup>18</sup> Department for Business, Energy and Industrial Strategy, [Heat Networks Investment Project \(HNIP\): introduction to the scheme](#), April 2018.

opt out. There are currently at least four services that offer partial opt outs from marketing mail, compared to a single service for marketing phone calls. We'll therefore work with Royal Mail and other partners to streamline the opt-out process.



**Figure 4:** 'Before taking this survey, which, if any of the following ways of stopping advertising/marketing mail being delivered to your home have you heard of?' (opt-out schemes highlighted in blue)

After recent work in the insurance industry identifying potential harm, we'll review whether companies in essential markets could be in breach of discrimination legislation.<sup>19</sup> And having reviewed the economic implications of personalised pricing, we'll examine under what circumstances it is legal.

<sup>19</sup> FCA, [FCA launches general insurance market study](#), October 2018.



# Provisional expenditure 2019/20

Our proposed budget for 2019/20 sees expenditure on Citizens Advice core consumer advocacy work increase 5.9% year-on-year in cash terms and 3.7% in real terms. This follows a fall of 8% in cash terms and 11% in real terms in the previous year. It includes another small reduction in Postal levy which follows a reduction of 33% in real terms in the previous year.

The specific allocations in this work plan are necessarily provisional, and subject to change if we have to adapt our work in response to external developments during the year. This budget reflects funding allocated by BEIS to advocate for consumers in England and Wales and it also includes funding allocated in collaboration between BEIS and the Scottish government to reflect the interests of Scottish consumers in GB-wide decision-making. Citizens Advice Scotland, a separate and independent organisation, advocates on Scotland-specific consumer issues within Scotland.

In addition to our core consumer advocacy work in energy, in 2019/20 we are also pleased to oversee the Big Energy Saving Network and Big Energy Saving Week. The proposed budget for this work will be £1.6 million (Table 2).

**Table 1: Citizens Advice core consumer advocacy budget for 2019/20**

Citizens Advice 2019/20	Programme Spend (GB)	Staffing & related costs (GB)	Total GB	Scotland	Total GB & Scotland
Directorate	0	188,900	188,900	9,300	198,200
Energy	550,000	3,018,700	3,568,700	139,800	3,708,500
Post	132,000	944,400	1,076,400	31,000	1,107,400
Cross-sector	170,000	601,700	771,700	58,300	830,000
Total	852,000	4,753,700	5,605,700	238,400	5,844,100

**Table 2: Funded Delivery Programmes - Energy**

Citizens Advice 2019/20	Programme Spend	Total Spend
Big Energy Saving Network and Big Energy Saving Week	1,641,000	1,641,000

## Annex A: Post themes

This includes the following projects:

- 1.6 Examine whether the Universal Service Obligation (USO) continues to meet consumer need
- 1.7 Strengthen consumer voice in non-choice markets
- 2.6 Ensure access to essential physical infrastructure
- 3.5 Ensure disabled people have equal access to postal services
- 3.6 Using the post to access essential services
- 4.3 Investigate firms' use of consumer data

## Annex B: Energy themes

This includes the following projects:

- 1.2 Help consumers switch energy supplier
- 1.3 Keep the smart meter roll-out focused on consumers
- 1.4 Promote better outcomes for small business customers
- 1.5 Improve industry processes
- 2.1 Advocate for better value networks
- 2.2 Ensure that networks are delivering on their promises
- 2.3 Ensure future energy networks meet consumers' needs
- 2.4 Improve consumer protections for electric vehicle drivers
- 2.5 Ensure better value from monopoly services
- 3.1 An energy market that meets the needs of consumers in vulnerable circumstances
- 3.2 Warmer homes: improve household energy efficiency
- 4.1 Ensure future energy markets meet consumers' needs
- 4.2 Shaping the regulation of heat networks

## Annex C: Cross-sector themes

This includes the following projects:

- 1.1 Tackle the loyalty penalty
- 1.7 Strengthen consumer voice in markets where people have less choice
- 1.8 Estimate the scale of consumer detriment
- 2.5 Ensure better value from monopoly services

- 2.6 Ensure access to essential physical infrastructure
- 3.3 Ensure support systems work effectively for vulnerable groups
- 3.4 Make markets accessible for consumers in vulnerable circumstances
- 4.3 Investigate firms' use of consumer data