

# Strengthening the voice of consumers in energy networks' business planning



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We would like to thank Involve for conducting the research for us that underpins this report, and Sustainability First for providing input and feedback along the way.

# Summary

The engagement of people as consumers, citizens and communities is of strategic importance to making the energy transition in the UK a success. Numerous challenges lie ahead of energy network companies, the regulator and policy-makers to facilitate it, including the decarbonisation of transport and heat, the need to increase demand-side response, the integration of renewables, and others. The transition will affect all energy consumers: they may wish to or be required to change their behaviour, pay more, install new devices in their homes and streets, or tolerate street works and interruptions to supply. It is therefore vital their voices are heard in the upcoming business planning process for energy networks (RIIO-2) and ongoing energy network activities and regulation, and more broadly in discussions around the significant changes that are occurring in the energy industry.

Citizens Advice commissioned the charity and think tank Involve<sup>1</sup> to undertake research into how the domestic and small business consumer voice can best be strengthened in energy network companies' business planning. The research involved a literature review, a survey of all energy network companies in Great Britain, and international case studies of best practice examples of small end-consumer engagement. Involve's full research report will be published on our website alongside this report.

The research shows that engagement is not an end in itself - ultimately it should produce better outcomes and decisions. We propose a list of seven positive outcomes for domestic and small business consumers that we think energy network companies should contribute to and be asked to report against. These companies have greatly invested in engaging with consumers over the past years. The amount of engagement and awareness of stakeholders and their needs has greatly improved. But more can and needs to be done.

## **Recommendations for energy network companies**

For immediate consideration for business planning (RIIO-2) for gas transmission, gas distribution and electricity transmission companies:

- The range of topics that consumers are engaged on needs to widen to reflect the amount and complexity of change in the energy system. Beyond reliability, service standards and prices, consumers should be consulted on their priorities, attitudes, values, willingness to accept, etc.

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<sup>1</sup>Involve is a charity and think tank established in 2003 to improve the quality of democracy between elections. <https://www.involve.org.uk/>

relating to more complex, long-term challenges. In the report, we give examples of topics this could include.

- To tackle some of these more complex, technical issues, companies should consider using deliberative methods. We offer case studies of where this has been done successfully.
- Many decisions in the business planning process will involve trade-offs and disagreement. Network companies can help the regulator and challenge groups by highlighting where trade-offs exist, where disagreement lies, and why certain solutions were chosen over others. They should be transparent about which groups may be disadvantaged by certain decisions and how they plan to mitigate this.
- Our research identified three spaces in which the voice of consumers can influence energy networks' business plans and day to day activities: through direct engagement, through representatives on stakeholder panels, and in challenge groups. We would like to see companies engage with the consumer voice in all these spaces both when writing business plans and when delivering them.
- We outline different levels at which engagement can take place, ranging from informing to empowering consumers and their representatives. We encourage companies to use the full spectrum.
- Gas distribution companies should set up Customer Engagement Groups that can genuinely challenge them on their business plan and the quality of their engagement. They need to be properly resourced and supported, and have sound processes in place to ensure their independence.

General good practice that we would like to see more of across energy network companies:

- Consumers stand to gain when companies share and collaborate on customer engagement. They can avoid duplicating efforts, learn from each others' mistakes and successes, and avoid engagement fatigue among customers.
- Network companies need to be able to demonstrate that their engagement activities have made a difference, and whether they were worth consumers' time and money. The sector should develop better ways of evaluating effectiveness, and monitoring costs and benefits of engagement activities.
- Network companies should do more to support their stakeholder panels to develop a better understanding of domestic and small business consumer views on complex or emerging issues. They should consider setting up some form of Consumer Panel, taking inspiration from Ofgem's Consumer First Panel and the Irish Public Water Forum.

## Recommendations for Ofgem and Government

- We call on Ofgem and the Department for Business, Energy & Industrial Strategy (BEIS) to engage more with domestic and small business energy consumers. Where issues affect the whole energy network industry, where there are systemic risks, where decisions lie with the regulator, or for long-term issues, Ofgem and BEIS may be better placed than individual companies to conduct consumer research. In the report, we give examples of topics this could include.
- Ofgem should develop a standard evaluation framework that helps evaluate the quality and effectiveness of company engagement. Currently there is no shared understanding of what good engagement looks like. This is crucial when it comes to CEGs and Ofgem judging business plans and any ongoing stakeholder engagement incentive.
- Ofgem should consider the use of challenge groups beyond the business planning process. We suggest using the expertise and experience from Customer Engagement Groups to form a cross-sector, GB-wide engagement group.

## About Citizens Advice

The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. On 1 April 2014, the Citizens Advice service took on the powers of Consumer Futures to become the statutory representative for domestic and small business energy consumers across Great Britain.

The Citizens Advice service is a network of nearly 300 independent advice centres that provide free, impartial advice from more than 2,900 locations in England and Wales, including GPs' surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particular dispersed groups. In 2017, Citizens Advice Service helped fix 163,000 energy problems through our local network and 61,000 through our Consumer Service. Our Extra Help Unit specialist case handling unit resolved 8,367 cases on behalf of consumers in vulnerable circumstances, and their Ask the Adviser telephone service handled 2,593 calls from other advice providers in need of specialist energy advice.

# What is consumer engagement and why is it important

People - as consumers, citizens or communities - should be able to contribute to and influence decisions that affect their lives, choices and environment. Energy network companies as monopolies providing an essential service should in turn seek out the views of energy users in their decision-making. Involving people in decisions that affect them results in better decisions overall: decisions that deliver more efficient and effective services, that meet real consumer needs and respond to these as they change, that reflect community values, and that have greater likelihood of effective implementation.

Energy network companies deliver essential services to households and businesses in Great Britain. They maintain and operate the pipes, wires and cables that transport electricity and gas through the country. Any home that wants a gas connection, any community that wants to install a wind turbine is reliant on an energy network to give them a grid connection. Consumers pay for energy networks through their energy bill; 26% of the average bill goes to network companies.<sup>2</sup> The regulator for these companies is the Office of Gas and Electricity Markets (Ofgem) and has a duty to “protect the interests of existing and future electricity and gas consumers.”<sup>3</sup>

How households and businesses use their energy network and what they need it to deliver is changing. Energy networks will increasingly need to enable the decarbonisation of transport and heat, the connection of more distributed generation, domestic demand-side response, peer to peer energy trading, and other, yet unpredictable trends. Energy users have to be at the centre of this energy transition to ensure it fulfils their needs rather than those of the networks, that it is built around their actual behaviours rather than predictions and profiles, and so that the risks, costs and benefits are fairly distributed between different energy users, present and future. These outcomes cannot be achieved without engaging end-consumers - engaging them in the design of new services, in debates about fairness, in policy-design and in business and strategic planning.

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<sup>2</sup> Ofgem, Infographic: Bills, prices and profits, 30th April 2018  
<https://www.ofgem.gov.uk/publications-and-updates/infographic-bills-prices-and-profits>

<sup>3</sup> Ofgem, Who we are, 2018 <https://www.ofgem.gov.uk/about-us/who-we-are>

Engagement broadly encompasses a range of activities (planned and unplanned) through which a company or regulator interacts with consumers, citizens or communities to address and respond to issues affecting them. These activities can include media campaigns, surveys, consultations, focus groups, interviews or Citizens Juries. Whatever method is used to engage, however many events and panels are held, engagement should ultimately lead to positive outcomes for consumers, citizens and communities. We suggest these outcomes should include the following:



### **Reliability**

Consumers experience as few interruptions to their energy supply as possible.



### **Safety**

Consumers can count on their energy network being safe and secure.



### **Value for money**

Consumers receive good value for money from energy networks. Companies run the networks as efficiently as possible to reduce the impact on people's bills.



### **Quality service**

Consumers receive services that meet or exceed their reasonable expectations. If things go wrong they are put right quickly with compensation provided as appropriate. Consumers find energy networks to be accessible and transparent.



### **Impact on our environment**

Energy networks minimise their direct impact on the environment and assist others in doing so where possible. They contribute to reducing greenhouse gas emissions and improving air quality in Great Britain.



### **Future-proof**

Energy networks anticipate and respond to changing consumer needs and behaviours. Energy networks are highly resilient.



### **Fairness**

All types of consumers are served well, with those in vulnerable situations receiving additional attention and support. The needs of future energy consumers are considered without jeopardising the needs of current consumers.

Engaging consumers and their representatives in business planning has become important across many industries in Great Britain. Different regulators have tried to strengthen the consumer voice by putting in place different incentives and structures<sup>4</sup>. The resulting engagement activities produced positive outcomes for consumers including an improved approach to customer engagement from companies, business plans that better explained what they meant for consumers, and a greater focus on value for money. Equally, all of these models have had shortcomings and regulators evolved these over time. In practice no one approach stands out as better than another in strengthening the consumer voice and delivering good outcomes for consumers. Because of this, Ofgem and energy network companies should learn as much as they can from existing models, but at present there are none that can be neatly copy-pasted to the energy network sector. Network companies will have to develop the approach that works best for this sector. This report and the underlying research report<sup>5</sup> make some suggestions for what this approach could look like.

## Levels of engagement

For its theoretical underpinning, our research draws on an internationally recognised typology of levels of engagement.<sup>6</sup> These levels (see Table 2) are not intended to suggest a scale of increased value of different engagement approaches, but rather recognise that each level of engagement is appropriate and useful for different functions. Companies and regulators should consider all of these levels and which one might be most appropriate to use to explore different issues.

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<sup>4</sup> Ofwat, Delivering Water 2020: Our cinal methodology for the 2019 price review, December 2017 <https://www.ofwat.gov.uk/wp-content/uploads/2017/12/Final-methodology-1.pdf>

Ofwat, Customer engagement, Price Review 2014, <https://www.ofwat.gov.uk/regulated-companies/price-review/price-review-2014/customer-engagement/>

Ofgem, Handbook for implementing the RIIO model, October 2010, <https://www.ofgem.gov.uk/ofgem-publications/51871/riiohandbookpdf>

Civil Aviation Authority, Decision on the Terms of Reference for the H7 Consumer Challenge Board (CCB)

<http://publicapps.caa.co.uk/modalapplication.aspx?appid=11&mode=detail&id=7545>

<sup>5</sup> The full research report from Involve is published on our website alongside this report.

<sup>6</sup> Adapted from International Association for Participatory Practice (IAP2), 2011. "Public Participation Spectrum" <https://www.iap2.org/?page=resources>



Table 2. Typology of levels of engagement

Level and Purpose	Promise to consumers and stakeholders	Examples of methods
<p><b>Inform</b> to provide consumers with balanced and objective information</p>	<ul style="list-style-type: none"> <li>● We will keep you informed</li> <li>● We will not withhold relevant information</li> </ul>	<ul style="list-style-type: none"> <li>● Company website</li> <li>● Direct mail to consumers</li> <li>● Information distributed as part of the billing process</li> <li>● Media campaigns</li> </ul>
<p><b>Consult</b> to obtain consumer feedback on analysis, alternatives and/or decisions</p>	<ul style="list-style-type: none"> <li>● We will keep you informed</li> <li>● We will listen to and acknowledge your concerns and aspirations</li> <li>● We will be open to your influence</li> <li>● We will provide feedback on how your input has influenced the outcome</li> </ul>	<ul style="list-style-type: none"> <li>● Surveys</li> <li>● Formal consultation papers</li> <li>● Focus groups</li> <li>● Randomised control trials</li> </ul>
<p><b>Involve</b> to work directly with consumers to address a pre-set question and understand their concerns and aspirations</p>	<ul style="list-style-type: none"> <li>● We will keep you informed</li> <li>● We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed</li> <li>● We will provide feedback on how your input has influenced the outcome</li> </ul>	<ul style="list-style-type: none"> <li>● Focus groups</li> <li>● Deliberative workshops</li> <li>● Citizens Assemblies</li> <li>● Deliberative polling</li> </ul>
<p><b>Collaborate</b> to partner with consumers in each aspect of the decision, including defining the issue, developing alternatives and identifying preferred solutions</p>	<ul style="list-style-type: none"> <li>● We will look to you for advice and innovation in formulating solutions</li> <li>● We will incorporate your advice and recommendations into the decision-making process to the maximum extent possible</li> </ul>	<ul style="list-style-type: none"> <li>● Stakeholder Groups</li> <li>● Citizens Juries</li> <li>● Action Research</li> </ul>
<p><b>Empower</b> to place final decision-making in the hands of consumers - to delegate</p>	<ul style="list-style-type: none"> <li>● We will implement what you decide</li> </ul>	<ul style="list-style-type: none"> <li>● Negotiated settlements</li> <li>● Participatory budgeting</li> </ul>

## Spaces for the consumer voice

In order to make sure their needs are met, our research suggest that considering the voice of domestic and small business consumers should be a constant feature of energy network operations and decision-making. But how can this be done in practice? Our research identified three spaces in which the voice of consumers can influence energy networks' business plans and day to day activities. To be most effective, the consumer voice should be captured in all three spaces.

1. **Direct engagement with end-consumers.** Companies can use this to collect evidence of consumer needs, priorities and preferences. This provides a company with the information needed to understand and respond to consumer needs and ambitions.
2. **Stakeholder Panels.** In these panels, consumer representatives use consumer research findings and their wider expertise to advocate on behalf of consumers at a strategic and policy level, and monitor company performance in order to ensure that it delivers outcomes for consumers on an ongoing basis.
3. **Consumer Challenge Groups.** In these groups, consumer champions evaluate the quality of a company's engagement, challenge the interpretation of results, and assess how effectively the company has used the outputs of engagement to inform their business plan.

# Review of past consumer engagement in business planning

**Our research found that energy network companies have already taken steps to engage with consumers over the past years**, following a clear steer from the regulator. In the lead up to the current business plan period (RIIO-1), companies did a lot of work to understand which topics were of greatest concern to consumers. They have all mapped their stakeholders and developed a good understanding of their different customer segments. They have engaged stakeholders on issues such as reliability, service standards and prices, and more recently also on their attitudes towards lower carbon technologies.

**All network companies have some form of stakeholder panel** though their role and effectiveness varies significantly. Every network aims to have a domestic consumer representative on their panel. They typically also include representatives from larger and smaller businesses, contractors, academia, environmental groups, local and national government and communities. The range of expertise involved allows consideration of different perspectives, but may run the risk of the voices of domestic and small business consumers being less clear as a result.

What difference has all this made to consumers? Some companies adapted their business plan in response to feedback. They made changes to spending plans and investment areas to reflect consumer priorities, increased targets for fuel poor gas connections and adjusted timescales of planned work. Primarily though, engagement influenced service standards, leading to improved support for consumers during unplanned supply interruption, better communication during infrastructure work and treatment of consumers in vulnerable circumstances. In a nutshell, engagement gave companies significant insight into the views, needs and priorities of energy consumers.

**But more can be done.** Our research suggests that the bulk of company's current engagement practice is limited to the 'inform' and 'consult' levels of the engagement spectrum above. This was linked to techniques such as direct mail, surveys, public meetings and focus groups. Only few companies used innovative practices crossing into the levels of 'involving' and 'collaborating'. It seems that, while energy network companies have made significant progress in relation to the amount of engagement they undertake with consumers, there remain opportunities for them to learn from the experiences of others and experiment with some more creative and meaningful methods to involve consumers.

# Our vision for future consumer engagement

**We expect companies to continue building on their consumer engagement approaches and expand their toolbox.** Simply replicating approaches taken for and during the current business plan period (RIIO-1) will not be enough given the level of energy system transformation that will be necessary in the next decade, and complexity of topics under discussion. Though the focus is often put on engagement for business plans - and rightly so given they determine a company's work plan for five to eight years - ongoing engagement to deliver specific projects, to keep on improving service standards and processes, and to monitor consumer behaviour and satisfaction is also vital.

Beyond understanding consumer needs and priorities, network companies have to start anticipating those needs, and involve consumers as partners in solution-finding and decision-making. The aim should be that any future business plan and any ongoing decision-making is based on sound evidence, having assessed all possible solutions, and having engaged consumers or their representatives from start to finish.

Before going through recommendations for each space for the consumer voice, we want to highlight a range of general best practice that companies should implement.

- **Demonstrate the contribution to consumer outcomes:** The aim of consumer engagement is that it leads or contributes to positive outcomes for them in the short or long term. We believe companies should be required to demonstrate how they achieve this.
- **Make space:** The domestic and small business consumer voice should be heard in all three spaces that we identified: through direct engagement, through representatives on stakeholder panels, and in challenge groups. Below we make specific recommendations for each space.
- **Use the full spectrum:** Network companies should consider using the full spectrum of the levels of engagement that exists - from informing to empowering consumers and their representatives.<sup>7</sup>

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<sup>7</sup> See Chapter 4 of Involve's full research report for guidance on when which level may be most appropriate, published on our website alongside this report.

- **Be explicit:** Many decisions will involve trade-offs and disagreement. In stakeholder discussions and in drafts business plans, network companies can help the debate by highlighting where trade-offs exist, where disagreement lies, and why certain solutions were chosen over others. They should be transparent about which groups may be disadvantaged by certain decisions and how they plan to mitigate this.
- **Share and collaborate more:** Consumers stand to gain if network companies share findings of their consumer research, share learnings about which engagement methods did and didn't work, and if they collaborate where they are trying to reach the same people or solve the same problem.
- **Evaluate better:** Ultimately the benefits of engagement should outweigh the costs. It has to be worth consumers' time and money. Network companies, together with challenge groups, should evaluate their engagement activities and quantify and qualify their impact as far as possible.<sup>8</sup>

## Direct engagement of end-consumers

Direct engagement with end-consumers is useful to understand their needs, attitudes and values. If done well, it captures the potentially diverging views of different groups, including small and medium sized businesses, consumers in vulnerable situations, and future consumers. Speaking to consumer representatives should be complemented with the rich insight that can be gained from speaking to end-consumers.

### **The range of topics that consumers are engaged on needs to widen.**

Engagement has to move beyond reliability, service standards and prices - topics which initially may be most immediate to domestic and small business consumers - to include complex, long-term decisions about our energy networks. Electric vehicles, heat pumps and renewable generation assets are creating new questions and challenges for the networks and regulators. Electricity distribution companies are starting to look for local solutions to network constraints including demand-side response. Gas networks are being asked to support the decarbonisation of transport and heat. Ofgem is starting to

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<sup>8</sup> See Chapter 7 of Involve's full research report for ideas on evaluating engagement. It is published on our website alongside this report.

discuss the question of how the cost of energy networks can be shared more fairly among users.<sup>9</sup>

These issues will affect all consumers; they may wish to or be required to change their behaviour, pay more, install new devices in their homes and streets, or tolerate street works and interruptions to supply. In solving these challenges, companies will need to make trade-offs and explore new solutions, and policy makers will need to develop new strategies and targets. Consumers, citizens and communities should be able to voice what they think is desirable, feasible, and tolerable.

We think some of the topics for engagement with end-consumers that energy networks should consider include:

- priorities for electricity and gas network investment areas in the context of the energy transition and the needs of future users,
- willingness to accept, and implications of alternative forms of connections to the electricity network,
- understanding of and attitudes to biogas, shale gas and hydrogen use in the gas network,
- attitudes to and willingness to accept managed electric vehicle charging by electricity network operators in emergencies to prevent supply interruptions,
- willingness to participate in electricity flexibility markets, implications for households and businesses, and how participation could be made accessible and desirable.

**Network companies should explore opportunities to engage end-consumers using deliberative methods**, particularly on these complex, long-term issues. Deliberative engagement is a distinct approach that focuses on giving participants time to learn about an issue, consider and discuss it in depth and then come to a considered view. It involves discussion, the opportunity to work with a range of people and information sources, and a clear task and purpose for the group. It is particularly suitable for complex issues, uncertainty, or where viewpoints may differ, where a decision involves trade-offs, or where there needs to be buy in from others.

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<sup>9</sup> Ofgem, Targeted Charging Review - Significant Code Review launch, August 2017  
<https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-significant-code-review-launch>

It is true that because of the technical complexity it can be difficult to engage domestic or small business consumers in infrastructural or financial discussions. In Chapter 5 of Involve's full research report<sup>10</sup>, we highlight examples of where this has been done through the use of Citizens Juries or People's Panels. They demonstrate that there are established mechanisms for engaging consumers in complex and controversial discussions and that recommendations that emerged from these groups were considered, realistic and ultimately implementable. These engagements should be seen to complement the expertise found in companies and their stakeholder panels, rather than hand over decision-making to end-consumers.

**Just as we are calling on network companies to engage more with domestic and small business consumers, Ofgem and the Department for Business, Energy & Industrial Strategy (BEIS) should do the same.** Regulators and Government should involve citizens in a meaningful way in societal debates. Where issues affect the whole network industry, where there are systemic risks, where decisions lie with the regulator, or for long-term issues, Ofgem and BEIS may be better placed than individual companies to engage consumers. Such topics include:

- aspirations for the future energy mix of the UK in the context of adhering to the Paris Agreement<sup>11</sup>,
- opportunities for and implications of different paths to decarbonise heat and transport, including what technologies are most acceptable to consumers,
- views on what company profit levels are fair for a monopoly business that delivers an essential service,
- views on how the costs of the energy networks should be fairly distributed amongst different network users, and willingness to cross-subsidise energy use for consumers in vulnerable circumstances.

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<sup>10</sup> The full research report from Involve is published on our website alongside this report.

<sup>11</sup> United Nations Framework Convention on Climate Change  
<https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

## Case study: Citizens Jury on energy generation in New South Wales<sup>12</sup>

### What was it?

In 2012 the Public Accounts Committee of the New South Wales Parliament sought the input of citizens to help them understand the public's views on the potential for, and barriers to, development of alternative forms of energy generation in New South Wales (NSW). This deliberative process was run to better inform the Committee's submission to Parliament on this issue, and so occurred early on in the policy process, allowing it to help shape the debate.

The Public Accounts Committee convened two Citizens' Juries, one in urban Sydney and one in rural Tamworth. Participants were asked to deliberate and agree on "an order of preference, barriers to adoption (including financial aspects and public perception issues), and recommended courses of action with regard to alternative forms of energy generation in NSW."

Each Jury met four to five times over a 10 week period to discuss different possibilities and trade-offs. In a deliberative process such as a citizens' jury, it is not expected that the jurors come to the process as 'experts' on the topic. Rather an essential part of the process is providing participants with the information needed to develop informed opinions. It is also important that the information presented to the jurors is balanced and reflects all of the different sides of a debate.

### Who was engaged?

Eight-thousand invitations were sent out to randomly selected addresses in each region calling for expressions of interest in participating in the process. From the positive responses received, a small group was selected in each area to broadly match the population demographics of the community. Each Jury was convened with 30 members (although in the end only 54 jurors took part) and their participation throughout the process was entirely voluntary.

### Impact for Consumers

The Jury process was assessed as having a meaningful impact on the development of Parliament's policy in this area. Several of the recommendations the Jury made to the Committee were incorporated into the recommendations the committee presented to the NSW Parliament, including:

- That there should be a targeted framework to achieve a 100% sustainable energy mix by 2050;
- That Parliament should regulate to allow decentralised generation;
- That consumers should be rewarded for the energy efficiency measures that they undertake.

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<sup>12</sup> The full case study is available in Involve's research report that is published alongside this report on our website.



It was also noted that this process enabled the Committee to understand a broader set of perspectives than they would normally receive in the course of an inquiry and as, as such, was welcomed by the members of the Committee and the Parliament overall.

## Consumer representation on Stakeholder Panels

Stakeholder panels fulfil important functions including contributing insight to company operations and challenging their performance and decisions.

Consumer representatives in such groups bring the consumer voice to the table and create the space for ongoing consideration of consumer issues.

We encourage all energy network companies to maintain and further develop their stakeholder panels. They have been a real strength in the current business plan period (RIIO1). Our research found some common factors that enabled these groups to be successful, including:

- strong, senior leadership;
- a clear remit with defined parameters for influence;
- taking time to build the capacity of group members to understand the business as a whole;
- ensuring that members have the opportunity to develop an understanding of the wider sector, not just the specific company;
- compensating members, or the organisations who employ them, for their time;
- seeking input from stakeholders early in the policy / decision-making process, rather than expecting them to 'rubber-stamp' decisions;
- providing timely and effective feedback about how the outputs of their discussions have been used by the company; and
- providing members with evidence from wider end-consumer research and/or resourcing the group (or individual members) to commission or undertake end-consumer research on emerging topics to help inform their contributions.

**Companies should do more to support stakeholder panels to develop a better understanding of end-consumer views on complex or emerging issues.** This is an area we would like energy network companies to improve on. One step towards this is to give group members greater access to outputs of consumer research. This is another area where greater sharing across companies and sectors could be beneficial. Having a shared library or inventory of consumer research would prevent research being unnecessarily repeated and may spark ideas for further research. Secondly, network companies should help their stakeholder panel identify areas where more research is needed.

**We also recommend for energy network companies to consider setting up some form of 'Consumer Panel'.** This is a representative group of consumers from each region that can be consulted as different issues or questions emerge, and when there is not already evidence of an established consumer view. Each engagement with the Panel may have a distinct and different focus but over time they are able to engage with progressively more complicated topics and issues. Establishing an ongoing Consumer Panel can be a cost-effective way of engaging with consumers on a range of issues, and could be a direct resource for stakeholder panels to draw on. The full research report that sits behind this report highlights two case studies from Ofgem's Consumer First Panel and the Irish Public Water Forum who used such panels to engage with domestic consumers.<sup>13</sup>

### **Case study: Ofgem's Consumer First Panel<sup>14</sup>**

#### **What is it?**

Since 2009, Ofgem uses their Consumer First Panel to explore what information consumers need, want, and understand, in addition to their opinions on relevant policy issues. The Consumer First Panels are a recruited group of domestic energy consumers who meet three or four times a year "to discuss key issues impacting on their participation in the energy market, as well as other topics related to energy." The workshops usually last three hours and are facilitated by two or three moderators.

The Consumer First Panels are designed to feed into policy, and do not necessarily ask panelists to make a final decision. This recognises the high level of technical complexity of many aspects of the energy regulation sector, which it was not appropriate to assume panelists would have an understanding of. Ofgem found Panels were most successful when discussing issues which were more accessible to Panelists because they were particularly relevant to consumers' experiences.

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<sup>13</sup> See Chapter 4 b and the Annex of Involve's full research report for these case studies. It is published on our website alongside this report.

<sup>14</sup> The full case study is available in Involve's research report that is published alongside this report on our website.

### **Who is engaged?**

Each year the panel is made up of between 60-100 consumers drawn from locations across Great Britain. They are recruited to be reflective of energy consumers in terms of a variety of categories including age, ethnicity, socio-economic group, tenure, fuel poverty, energy supplier, employment and family status, residence (rural/urban) and also those who face different problems in the energy market e.g. those who have power cuts and those who don't. In striving towards a representative sample, they decided to 'up-weight' representation of Black and Minority Ethnic groups, rural groups and those living in social and private rented accommodation to ensure the voices of those who are traditionally less likely to participate were effectively heard.

### **Impact for Consumers**

The panel has been used to deliberate on a wide variety of topics in order to provide the regulator with insight into the various ways policy decisions or proposals would impact consumers. Examples include:

- Identifying the information needed to equip customers to make informed consumer decisions;
- Ofgem's work on any protections that may be needed for early movers prior to the Government's mandated smart meter roll-out;
- Ofgem's review of the Priority Services Register, extending their understanding of consumers' expectations of the non-financial support provided by suppliers and distribution companies to consumers in vulnerable circumstances;
- Ofgem's work with suppliers in terms of communicating with consumers, tariff structures and the process of switching suppliers.

Overall Consumer First Panels are considered by Ofgem to be a successful and useful tool for achieving impact for consumers because they establish a positive feedback loop where regulator and consumer were communicating regularly, in detail, about their insights, questions and issues.

## Networks' Consumer Challenge Groups

This space for the consumer voice is a relatively new form of consumer engagement and was introduced in the water sector in England and Wales in 2014. In this space, consumer champions scrutinise the quality of a company's consumer engagement and the extent to which the learnings from this engagement are reflected in their business plan. A similar approach is now being introduced by Ofgem for the energy distribution networks<sup>15</sup> in the preparation of their next business plans, with every company being asked to form a **Customer Engagement Group (CEG)**. There may be value in also having such challenge groups during the delivery of these business plans, as we suggest below.

The role of the CEGs will be to "provide independent challenge on whether an energy network company's business plan addresses the needs and preferences of consumers."<sup>16</sup> We believe this should involve:

- scrutinising how effectively the company has engaged with consumers and their representatives, and evaluating the breadth, depth and quality of engagement;
- challenging the company about how they have interpreted the results of their consumer engagement - but it is important that CEG members should not substitute their views for those of consumers;
- assessing how effectively companies have used the outcomes of engagement and research to inform their business plan, and forming a view of whether proposals go far enough; and
- considering different types of consumers, including domestic, small and micro businesses, consumers in vulnerable situations and future consumers.

Though companies' stakeholder panels and CEGs seem similar and may discuss the same topics, it is important to understand their distinct roles and ways of working.

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<sup>15</sup> Ofgem, RIIO-2 Enhanced Stakeholder Engagement Guidance, March 2018  
<https://www.ofgem.gov.uk/publications-and-updates/riio-2-enhanced-stakeholder-engagement-guidance>

<sup>16</sup> *ibid.*

Stakeholder Panels	Customer Engagement Groups
<p>Stakeholder panels have no link to the regulator Ofgem. Their role and remit varies depending on the energy network they work for.</p> <p>Members of the panels are asked to provide input which may be based on their personal expertise or the opinions of those they represent.</p> <p>They may be asked for their input without having challenged the evidence, and the research and engagement quality a company has undertaken. Their input is one among many that a CEG should review.</p>	<p>Customer Engagement Groups should operate at arm's length from a company and report directly to Ofgem. Their remit is outlined in Ofgem guidance.</p> <p>Members of the groups should not substitute their views for those of consumers - they should act in an independent capacity and not represent any organisation or consumer group.</p> <p>Group members should first review the engagement and research underpinning a business plan, before challenging a company on it. Their specific questions can be informed by their personal expertise. But the extent to which they can then provide input and advice should be thought through carefully given they do not hold a representative function.</p>

In order to make the Customer Engagement Groups a success, some provisions will be important:

- **Resourcing and support:** Learning from stakeholder panels shows that it takes time to build the capacity of members and raise their understanding of an energy network business. CEG members should receive an induction into their role and the specific energy network company, training on the regulatory process of price control and terminology used in it, and any other training they believe is necessary. When assessing company business plans, they should have access to comparative data, to company staff and Board members to discuss the plans, and to experts and stakeholders to gather further views and evidence. Companies should discuss with their CEGs whether they need a dedicated budget to conduct or repeat research where they believe gaps exist in company-led research or where it has fallen short of their expectations.
- **Exchange between Chairs of the groups and Ofgem:** Regular exchange should be used to ensure consistency across companies, for example how they run the challenge groups, and how different challenge groups evaluate company engagement work. These meetings can serve to update Ofgem on progress, and to ask Ofgem for guidance, data and other support.

- **Independence:** Challenge groups need to be able to provide independent challenge to companies. At an early stage, companies should discuss and agree with the CEG Chair and members any governance arrangements necessary to ensure the independence of the Group. Proper resourcing and support is part of the answer. In addition we believe CEGs should regularly have meetings amongst themselves, without company staff present. They may find it useful to establish guidance principles on the acceptance of gifts of hospitality from their network company.
- **Evaluating challenge groups:** Given these groups are a new feature in the energy networks sector, it is important that we learn whether they add value to the business planning process. Network companies and CEGs should evaluate their activities, processes and outputs, and quantify and qualify their impact as far as possible. This could include CEGs keeping challenge logs that make transparent the contribution they have made to companies' plans; reflect to what extent the quality of the submitted business plans is higher than the drafts or early versions they commented on; and reflect on whether the quality of engagement improved as a result of the groups' challenge.

**It seems important that Ofgem develops a standard evaluation framework to evaluate the quality and effectiveness of energy network company engagement.** What is missing at this stage is a shared understanding of what good engagement looks like so that all CEGs and Ofgem measure companies against the same yardstick. This could be used by the challenge groups as well as by any panel assessing company engagement against any incentives that may be attached to stakeholder engagement. A basis for such a framework could be Ofgem's own principles for engagement (2010)<sup>17</sup> which include inclusiveness, transparency, accessibility, control, responsiveness, accountability, taking views seriously, demonstrating impact, evaluation.

**What role could Customer Engagement Groups play beyond the business planning process?** Whilst the task at hand is preparing business plans for the next five years, we think it is important to think ahead to whether and how the CEGs can be used during the delivery of business plans. One option is that they could help facilitate more sharing and collaboration on engagement research. There is an ever increasing amount of research and insight with and about energy consumers that takes place in silos, is not shared widely, or not considered when industry or policy decisions are taken. The need for a "UK observatory of public engagement" that gathers and distributes evidence and

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<sup>17</sup> Ofgem, Principles for effective enhanced engagement, 2010  
<https://www.ofgem.gov.uk/ofgem-publications/51871/riiohandbookpdf>

advises on good practice in engagement was recently identified by the UK Energy Research Centre.<sup>18</sup>

One step in that direction could be to draw on CEG members to establish one GB-wide engagement group, covering distribution and transmission, whose functions could include:

- review and comment on company consumer engagement plans and implementation reports;
- facilitate cross-company sharing of good practice and joint working;
- establish an open library of customer research;
- identify gaps in consumer research; and
- feed into annual assessment rounds of engagement incentives (if they are retained).

### **Case study: Deliberative workshops for Melbourne's Sewerage Strategy<sup>19</sup>**

#### **What was it?**

In the context of rapid population growth within parts of the city, Melbourne Water recognised that their approach to investment and management of the sewerage system had to change and that they needed to involve customers in planning for these changes. Specific issues they wanted to explore included customers' expectations of sewerage services and the economic, social and environmental impact they may have; what customers' water usage habits currently were; their willingness to pay for sewerage services; and the variations of views and needs between different segments of the customer population.

The project was undertaken in two stages. Firstly, workshops were conducted with experts from the water sector to share insights into customers and identify key current, and potential future issues. More workshops were held with a wider stakeholder group including officials from across government, water retailers and private organisations. The purpose of these workshops was to develop and test the future scenarios which would be used in the customer workshops.

Then deliberative events with customers were conducted in different parts of the city. The first half of the workshop was designed to identify customers' existing knowledge, attitudes and behaviours through interactive polling and small, facilitated group discussions, provide participants with information on the sewerage system and associated issues and opportunities, and rank initial priorities for the system.

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<sup>18</sup> Public Engagement with Energy: broadening evidence, policy and practice, 2017, UK Energy Research Centre <http://www.ukerc.ac.uk/publications/public-engagement-with-energy.html>

<sup>19</sup> The full case study is available in Involve's research report that is published alongside this report on our website.

In the second half of the workshop participants used the future scenarios to explore expectations for the future. Following their deliberations, each table presented their conclusions to the other group before the whole group voted on a series of questions about the scenarios.

### **Who was engaged?**

40 participants were recruited for each of the deliberative customer workshops (with 77 attending), according to strict specifications to ensure representation from an appropriate mix of the community took part. They were incentivised to attend the 5 ½ hour workshop through payment of \$220 (Aus.) which was credited with having contributed to the diversity of the participants who took part.

### **Impact for Consumers**

The insight into what the community's expectations and aspirations for sewage management gained from these workshops was used by the company to inform Melbourne's water and sewerage infrastructure strategy, although direct evidence of specific impacts is not available. Feedback from participants at the time indicated that they found the sessions interesting and informative, despite having no previous motivation to engage directly with the subject or the company, and that they sincerely appreciated having been asked for their opinions.



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