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18 November 2016

Dear Neil,

**Response to the statutory consultation on the introduction of SLC 32A:
Power to direct suppliers to test consumer engagement measures**

This submission was prepared by Citizens Advice. Citizens Advice has statutory responsibilities to represent the interests of energy consumers in Great Britain. This document is not confidential and may be published on your website. If you would like to discuss any matter raised in more detail please do not hesitate to get in contact.

We welcome Ofgem's decision to implement the Competition and Markets Authority's recommendations relating to the establishment of an ongoing programme of work to test consumer engagement measures for domestic and micro-business customers, and to modify suppliers' standard licence conditions to enable the Authority to direct them to participate in such a programme. We will respond to the related consultation on the proposed selection criteria for mandatory supplier testing separately.

The research programme is likely to play a significant role in understanding how consumers can be encouraged to respond to prompts and engage with the market. Previous behavioural research in the field of energy has often focused on consumers' energy use and energy efficiency behaviour.¹ However, there is a gap

¹ For example "Behaviour Change and Energy Use" (2011) Cabinet Office https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48123/2135-behaviour-change-and-energy-use.pdf "What Works in Changing Energy Using Behaviours in the Home?" (2012) DECC

Patron HRH The Princess Royal

Chief Executive Gillian Guy

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in understanding consumers' market engagement and switching behaviour. [Our research](#)² has shed some light on the reasons why consumers may be less engaged in the energy market than they are when it comes to clothing or car purchases, but more work remains to be done in this regard. There are particular gaps in understanding how suppliers can improve communications with prepayment customers.³ We have also previously called for more cross-industry learning to improve letters to consumers in debt. These trials would be a good opportunity to test new forms of engagement (which may not necessarily be through letters) across a range of areas and customer types.⁴

Furthermore, we agree that Ofgem should adopt a broad definition of 'consumer engagement measures' in order to remain open as to the exact topics to be covered and research methods to be employed in this programme. Considering the number of changes we are about to see in the energy market which are directly affecting consumer experience and engagement, such as the smart meter rollout, changes to the Confidence Code, and the removal of the four-tariff cap, it is wise not to close the door on any future issues that may be worth exploring through consumer research.

Consumer welfare, policy development and transparency

In implementing this CMA remedy Ofgem will need to consider the impacts the trials may have on consumers, the role trials will play in the policy development process, and the level of transparency that will exist around them.

We understand that, initially, the focus of trials will be on changing consumer communications to nudge them to switch tariffs or suppliers. An increase or change in communications may lead to consumers feeling confused and overwhelmed - particularly since price comparison website (PCWs) are not bound to display the whole market offer. It would be our assumption that any trials would refer customers to the Citizens Advice whole of market PCW.⁵ We would also expect that customers are able to 'opt out' from receiving messages, or from being contacted through certain channels. As well as providing protections, these options would enable researchers to track consumers reactions to the interventions.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/69797/6921-w hat-works-in-changing-energyusing-behaviours-in-.pdf

² "Consumers' Hierarchies of Priorities" (2014) available under:

<https://www.citizensadvice.org.uk/Global/Public/Policy%20research/Documents/Policy%20publications/Consumer%20Publications/Consumers%20Hierarchies%20of%20Priorities%20report.pdf>. Also forthcoming: "Against the Clock: Why more time isn't the answer for consumers"

³<https://www.citizensadvice.org.uk/Global/CitizensAdvice/essential%20services%20publications/Lost%20Decade%20Report2%20New%20Front.pdf>

⁴ This will have implications for how Ofgem selects suppliers to conduct trials - please see our separate response to Ofgem's open letter on selection criteria for mandatory supplier testing.

⁵ <https://energycompare.citizensadvice.org.uk>

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Careful consideration of the potential for consumer detriment must be given when planning trials and allowing suppliers to derogate out of their existing requirements. We would welcome further opportunities to feed in our understanding of consumer issues and help formulate the principles and guidance for trial design and implementation, either bilaterally or as part of an advisory panel.

Ofgem should also share more information about what role the results of these trials will play in the policy development process. It is not clear whether a successful trial (in terms of achieving the intended outcome) would become a prerequisite for new policies on customer communications to be considered, or would be sufficient in and of itself for new policies to be implemented. Whatever role played by these trials it will be important that success criteria are clearly defined, both by those running the trial and by Ofgem for their policy development purposes. We have previously raised the point that any trial should have a clear intended outcome and measures of success agreed in advance.⁶

We are keen that trials are as transparent as possible, particularly regarding the data analysis and interpretation process. The process of knowledge production is not free from bias, and can carry risks as results can be manipulated.⁷ Ofgem may wish to consider how they can ensure the independence and objectivity of the body responsible for cleansing, analysis and interpretation of data coming out of the trials. This could take the form of oversight by the regulator, for example by directing suppliers to appoint independent consultants to carry out these processes. To further increase the transparency and trust in this programme, consumer bodies, academics and others should be able to scrutinise the data and findings from any trials undertaken (while having due regard for commercial confidentiality). This could replicate the approach taken by Low Carbon Network Fund (LCNF) trials, which have published large anonymised datasets which have enabled further research by third parties. This would also ensure that the data is not retained exclusively by the supplier carrying out the trial, but is shared across industry.

Suggested additions

We welcome the level of detail with which Ofgem set out the key features of the proposed modifications to the standard licences, and appreciate that it is not possible to give further details with regards to exact research design at this stage. However, there are some important omissions from the specification for testing (page 7 of the consultation). Although a consideration of ethical and consumer

⁶ "The Citizens Advice Service - Response to CMA's provisional decision on remedies" page 39 <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/Energy%20Consultation%20responses/Response%20to%20CMA%20provisional%20recommendations.pdf>

⁷ Pearce and Raman (2014) "The new randomised controlled trials (RCT) movement in public policy: challenges of epistemic governance", *Policy Sciences*, vol.47(4), pp. 387-402; <http://link.springer.com/article/10.1007/s11077-014-9208-3>

issues is mentioned here as a necessary requirement, we would particularly call for the inclusion of the following:

- a) an outline of potential adverse effects on vulnerable consumers and to what extent it is appropriate to include or exclude certain groups. We recognise that suppliers may not necessarily be aware of their customers' vulnerabilities (which may be permanent characteristics or temporary vulnerable circumstances). Therefore we would expect that sufficient attention is paid to how vulnerabilities in trial participants may be identified.
- b) a discussion on whether there are any ethical issues arising out of the fact that the treatment or control group may receive a relatively 'worse service' during the experiment, how this will be assessed during/after the trial, and whether any steps need to be taken to compensate them for this after the experiment ends.

The role of Citizens Advice in the proposed programme of work

Citizens Advice is an important source of information for energy consumers. In the year September 2015 - August 2016 44,913 energy consumers sought help from the Consumer Service. The Extra Help Unit - our specialist team investigating energy and post complaints on behalf of vulnerable consumers - handled 7,761 complaints in the same time period.

It is likely that some consumers who are unaware of their involvement in a trial (i.e. in a blind experiment) will seek help from Citizens Advice, or the Ombudsman Service: Energy, about an issue related (directly or indirectly) to a trial. We therefore believe it is crucial that these organisations are provided relevant information on any ongoing consumer research, such that we are able to give appropriate and accurate advice to consumers.

Beyond our concerns for consumers, we are also considering the effect trials may have on Citizens Advice's work, particularly the Consumer Service and the supplier league table we compile. Already, suppliers are experimenting with changes to customer bills and how they signpost to complaints advice services such as ourselves or the Ombudsman Services:Energy and we expect such trials to increase in the future. This necessitates us having adequate information on research that may impact on the nature of customer complaints we receive. If further trials are to take place which involve making changes to the way the Citizens Advice Consumer Service is signposted, we want to agree a shorter, standardised form of words with Ofgem that could be provided to suppliers. This would ensure that our minimum requirements are met and some consistency across suppliers is retained.

Outstanding questions

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The consultation was silent on certain questions which we believe may impact consumer welfare and the robustness of the results coming out of this programme. Some of these issues we already touched on above. In summary, we would appreciate clarification from Ofgem on the following as part of future guidance on RCTs:

- a) Will independent organisations such as Citizens Advice have the opportunity to feed into the principles or further requirements guiding the research design and implementation before trials commence?
- b) Who will own the process of data cleansing, analysis and interpretation? If a sizable amount of this work is left to suppliers or third party research organisations commissioned by suppliers, will Ofgem have checks in place around how the analysis conducted? As mentioned above, we believe that a lot of power can be exercised by whoever takes on these tasks.
- c) Will independent organisations such as Citizens Advice have the opportunity to comment on data analysis methods and findings drawn from any research undertaken on this programme?
- d) We understand that trials will predominantly involve non-vulnerable consumers. We therefore see the risk that the research will not help to determine what messaging works best with vulnerable groups. How will Ofgem fill this knowledge gap?
- e) How will outcomes be tracked when a research participant switches to another supplier who has not been directed to be part of a particular trial?

Yours sincerely,

Victoria Pelka

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