

Towards a more innovative energy retail market: a call for evidence

Citizens Advice response.



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Summary

It's vital that the retail energy market is prepared for the major reforms that are going to be implemented in the coming years, most notably the ongoing rollout of smart meters and the introduction of market-wide half hourly settlement. These changes will enable and incentivise suppliers to offer new smart products and services, but have wider repercussions for all consumers. Suppliers may also play a role in offering low carbon technologies that increase the ability of consumers to use their energy more flexibly.

In this context it is vital that market reforms:

- Upgrade consumer protections, so that consumers are confident to engage. We think adopting a Consumer Duty framework, similar to financial services, could deliver these changes.
- Tackle barriers to ensure the market can work for as many consumers as possible, including renters, people who are digitally disadvantaged and households on lower incomes.
- Deliver appropriate information, advice and support to consumers to help them navigate the market and resolve problems when they arise.
- Ensure a level playing field for competition and limit the risk of mutualised costs for consumers if suppliers fail.

Government and regulators should avoid the approach of piecemeal reforms taken in the past, which led to a market that delivered some innovation, but also proved brittle to shocks and provided poor quality services for many consumers. They should consider all the impacts of forthcoming changes for consumers, including those on default tariffs and implications for the design of price protection.

Reforms should also develop a clear pathway forward for the market, which is currently in near-stasis as it recovers from recent crises, with far fewer consumers switching than prior to 2021. This makes it challenging to assess the impact of the market framework on innovation currently, and may pose difficulty in moving to a more innovative market in future.

Regardless of any retail reforms taken forward, energy prices are likely to remain elevated in the coming years, and market outcomes will not deliver affordable energy for many consumers. To ensure a fair transition to net zero Government must deliver energy efficiency upgrades and enduring bill support for households at most risk of fuel poverty.

Section 1: Supporting wider system transformation

1. Are there elements of the retail market regulatory framework that currently restrict existing or potential retailers' ability to offer new products or services, or operate new business models?

In many areas the supply licence allows suppliers broad scope to provide new products and services. However, it significantly limits the scope for suppliers to specialise in particular areas (though some have successfully done so, generally in relation to focusing on prepayment). This is because they are required to offer a contract to any domestic customer who asks (the Duty to Supply), and continue serving customers after their contract has ended (default contracts) and customers who move into properties where they are the incumbent supplier (deemed contracts).

These rules (and others) protect consumers by removing risks of disconnection and ensuring market access to those who may otherwise struggle to do so. However, over time this means suppliers will build up a significant number of customers who either did not choose their service, or a long time has elapsed since they did so. The price cap limits the extent to which suppliers can use pricing to discourage customers taking up certain products that it does not want to provide. Alongside these rules, suppliers also play a significant role in delivering government schemes.

Key policies that aim to support specialisation have included exemptions for smaller suppliers from certain requirements, principles-based licence requirements to enable flexibility on delivery, and derogations from some rules, generally on what tariffs can be provided. However, these are unlikely to overcome barriers to specialisation on an enduring basis for many companies that aim to grow above a certain scale. In relation to exemptions for smaller suppliers, they also led to distortions in competition which played a part in enabling the growth of many poorly prepared suppliers in the years leading up to the retail market collapse in 2021.

If the Government assesses that there are significant customer benefits from more specialised supplier offerings and that the current framework is a barrier,

this is likely to also require reforms to the universal service obligation and other duties to ensure customers at risk of being underserved or excluded from the market continue to be protected. It would be more desirable for reforms to be made in a cohesive - and potentially more extensive manner - rather than through piecemeal changes, which helped lead to weaknesses in the market previously.

2. What, if any, alternative routes to market should we be considering further? Do these differ for domestic and non-domestic supply markets?

Any alternative routes to market must ensure that market participants are competing on a level playing field and that the risk of mutualised costs from failure are mitigated. As set out in the consultation, many of the existing alternative routes have been rarely used. Minor improvements to these routes could be made - for example by designating backstop fully licensed supplier(s) to enable Licence Lite entry.

Ofgem previously consulted on increasing scope for derogations but has not taken reform forward. Subject to appropriate safeguards we supported these as a way to test propositions on a bigger scale than is possible through Ofgem's sandbox trials, but their wide scale use is likely to give rise to market distortions and cannot be an enduring feature of the market.¹

The consultation refers to meter-splitting as one possible reform that could be deployed 'in the absence of radical change to the regulatory framework'. While there may be merits to this approach in enabling new business models, it may also require lengthy and potentially expensive changes to industry systems. It is also likely to require significant regulatory reform to clarify the roles of different suppliers and to manage the interactions between firms supplying a single household.

The uncertainty this introduces may also reduce the scope for investment by incumbents and potential new entrant suppliers into low carbon products and services in the interim period. This must be balanced against unclear consumer appetite for the products and services this would enable, compared to those

¹ Citizens Advice (2020) [Citizens Advice response to Ofgem's supporting retail innovation: Policy consultation](#)

possible under the status quo or other reforms which could be delivered more simply and easily.

3. What, if any, changes could be made to improve existing routes to market that do not require obtaining a supply licence?

We have previously raised concerns about poor consumer outcomes for some customers who are supplied energy by someone without a supply licence, particularly from landlords. We welcome the separate call for evidence on 'domestic consumers with non-domestic energy contracts'. This work should upgrade protections for these customers and tackle poor practices, including high costs and use of prepay sub-meters.

We have also found issues for consumers using third party intermediary (TPI) services which have partially taken on the primary customer relationship from the supplier, particularly auto-switching and bill splitting services which were used by a significant number of consumers prior to the retail market collapse in 2021.² These offered benefits in making it easier to switch and sometimes provided additional services, but also led to harms if customers were unable to access support from their supplier or were switched onto a product that didn't meet their needs. Some of these services offered poor value for money, and by disrupting the relationship with retailers may not support wider aims for more flexible energy usage.

We previously called for these services to be regulated, similar to intermediaries in the banking sector (an approach which the CMA also found to be effective). While these services are not a significant feature of the market currently, they are likely to re-emerge if competition increases and new suppliers enter the market.

We recognise that since we reported on these issues, the Government has set out plans to regulate companies involved in load control, which we support. This will help give confidence to consumers to use these services and mitigate risks of poor outcomes. These companies may seek to provide energy alongside this service (if they gain a supply licence) but may also choose to offer unregulated auto-switching or bill management services.

²Citizens Advice (2020) [Stuck in the Middle: How to improve protections for people using energy third party intermediaries](#)

It will be important for consumers to have clarity over which aspects of their product are regulated and which are not. The design of any future regulation of TPIs will need to take account of load control licensing to ensure that the different regulatory schemes for firms providing different services are clear and complementary.

4. What improvements could be made to the current funding and testbed landscape for innovation? Is this sufficiently targeted at enabling the development of new energy supply propositions?

We strongly support steps to test innovative products and services. These should include a broad range of consumers, and improve the accessibility of new energy products and services for people in vulnerable circumstances. In particular:

- We've called for the government to set out a clear plan for how it will support people with barriers to taking part in and benefiting from energy flexibility. In addition to better information and appropriate regulation, this plan should focus on inclusive innovation.³
- There should be more support for companies to design accessible products and services that reach a more diverse population. The government should continue to provide dedicated funding for projects that aim to tackle barriers and achieve more diverse participation in energy flexibility, such as the Government's Inclusive Smart Solutions Programme. Decisions about where funding is allocated should be based on specific assessment criteria relating to accessibility and diverse participation, incentivising companies to innovate in this direction.
- We previously supported proposals that Ofgem's Innovation Link could adopt a policy-led approach to promote innovation in areas where industry is not bringing forward proposals, including in relation to consumers with diverse or additional needs.⁴
- There is also more that energy suppliers could do to support innovation around energy supply propositions, from offering finance to full

³ Citizens Advice (2023) [A flexible future: extending the benefits of energy flexibility to more people](#)

⁴ Citizens Advice (2021) [Innovation Link evaluation and evolution – request for feedback](#)

decarbonisation solutions with heat-as-a-service models. In a more consolidated market Ofgem may need to be more interventionist to drive these developments, for example by requiring suppliers to work with innovators who want to test certain propositions, or making use of Ofgem's powers to direct trials of measures which may support consumer engagement.

We are also concerned that while innovation and accelerator funding is useful to test at small scale, it is not sufficient to build sustainable models, and schemes often end up dying out once funding is over, rather than being bedded in. In the retail market we previously supported Ofgem's proposal to expand its use of derogations to enable innovative products to be used at small commercial scale where there was clear consumer benefit, though this would need careful mitigation of any consumer and competition risks.⁵

5. What role could retailers play in deploying the capital investment needed for net zero? Do retailers have the right incentives to support investment in net zero technologies?

Suppliers have existing customer relationships and as such may be well placed to help consumers to adopt low carbon technologies through long term loans or energy contracts. Our research has shown consumers generally lack upfront savings to cover these costs, and most are keen to avoid unsecured loans or mortgage extensions to pay for energy efficiency measures.⁶ Alternative finance options via energy suppliers could help fill this gap, potentially by guaranteeing lowering costs overall with savings offsetting the payback for equipment.

Some suppliers already offer low carbon technologies, though this activity has been relatively limited to date and often with a high degree of separation from the gas and electricity contract. This may change in future as suppliers seek to actively manage equipment in the home to optimise outcomes in response to grid and wholesale price signals.

There may be fewer incentives in relation to energy efficiency, though it could be necessary for some 'energy as a service' approaches. If the government

⁵ Citizens Advice (2020) [Citizens Advice response to Ofgem's supporting retail innovation: Policy consultation](#)

⁶ Citizens Advice (2023) [Demand: Net Zero](#)

considers that energy efficiency is a key outcome from the retail market it could consider new obligations on suppliers to deliver demand reductions, or new mechanisms to reward this activity.

We note that wholesale market reforms to further incentivise electricity demand reduction are being considered part of REMA, although a specific supplier obligation for procuring low carbon power will no longer be pursued as an option.⁷ For the latter, it was feared that having suppliers procure low carbon generation could result in a higher cost of capital and therefore increased costs for consumers.

It will be important to guard against issues of 'lock-in' and consumers struggling to switch providers or leave properties with balances for equipment outstanding. This issue is discussed in more detail in our response to Q.16.

6. Are existing retailers considering partnering with other organisations to deliver low carbon technologies to consumers? Are there any regulatory barriers to retailers partnering with non-licensed entities?

Not answered.

7. How can the retail market play an active role in unlocking flexibility in the energy system?

The retail market is the primary interface for most consumers with the energy system, and as such plays a vital role in enabling more flexible energy usage, although newer services such as aggregators are also likely to play a role. MHHS will create commercial incentives for suppliers to offer tariffs that reward more flexible use compared to the current settlement arrangements.

Other services related to enabling flexibility are less core to the supplier's role, but companies may choose to offer these services. These include load control services that actively manage equipment in people's homes in response to price signals, and services that install equipment in the home through long term contracts or loans. Changes to the supply market framework may enable existing providers of these other services to more easily also provide energy supply at the same time, but any such reforms must be carefully considered given that energy is an essential for life service.

⁷ Department for Energy Security and Net Zero (2023), [*Review of Electricity Market Arrangements*](#)

8. How can retailers actively encourage and support consumers to engage in flexible consumption behaviour (including through automation and remote control of smart devices)? What barriers currently prevent retailers from doing so?

A fundamental building block to enable more flexible energy usage is smart metering. It is vital that suppliers meet their rollout targets in the coming years, though even if these are met around 1 in 5 households are unlikely to have a smart meter by 2025, with many suppliers even further behind on achieving their microbusiness targets.

Our new consumer research, not yet published, indicates that, among those consumers who have a smart meter, a sizable portion report that their smart meter is not operating as it should.⁸ It is crucial that consumers have confidence that their smart meter will consistently function as required if we are to expect them to take up the new products and services that smart enables. This includes In Home Displays given the necessity of knowing how much energy is being used at a given time and what changes around the home can impact it.

Given the current affordability challenges, suppliers should prioritise the rollout of smart meters to consumers who are likely to benefit most, including those who use traditional prepayment and can access additional support options via smart meters. Moving forward, government and Ofgem should prioritise planning for how smart meter installations continue to achieve close to maximum rollout in a timely and cost effective manner post 2025, and how “legacy” metering, especially legacy prepayment, will be handled for those unable to get a smart meter.

To achieve greater participation in flexible energy usage, the products and services that companies develop and sell, such as time-of-use tariffs and smart appliances, will need to be accessible and appealing to more people. Recent Citizens Advice research unpacks the barriers that many households are likely to face to participating in energy flexibility.⁹

⁸ Based on a representative poll of 4,058 adults (18+) in the UK conducted by Savanta for Citizens Advice, fieldwork conducted in August 2023.

⁹ Citizens Advice (2023) [A flexible future: extending the benefits of energy flexibility to more people](#)

We found a positive appetite among stakeholders from the smart energy and accessibility sectors for more support, guidance and funding for industry to develop easy-to-use products and inclusive consumer experiences. We've called for more support for companies to design accessible products and services that reach a more diverse population, including industry standards for accessible product design and dedicated innovation funding.

On top of such measures to bring about more inclusive innovation, we've called for better information about energy flexibility and appropriate regulation of the smart energy sector. In our research, consumer participants told us that the whole concept of energy flexibility felt overwhelming, so we're asking the government to introduce a national information campaign on how households can contribute to net zero and invest in and expand statutory energy advice services. This should offer impartial support on topics like smart tariff comparison and complement a national independent net zero advice service.

We welcome government plans to regulate companies involved in load control. Our research found that people need support comparing and choosing tariffs and they want to be able to try out tariffs and services without being penalised if it's not right for them. We're asking the government to require companies to provide enhanced protections against contract lock-in and to ensure that its proposed requirement for providers to make smart tariff information publicly available benefits consumers as well as industry.

In the interim, retailers can show the way by responding to domestic consumer needs, for example developing and user-testing their own comprehensive information about energy flexibility and piloting tariffs and services with different features such as no contract termination fees.

9. What lessons can be learnt from the success of the ESO's Demand Flexibility Service with respect to encouraging consumers to engage in flexible behaviour?

The early consumer insights provided by the ESO's demand flexibility service (DFS) evaluation, combined with our recently published work on consumer attitudes toward, and ability to engage with, energy flexibility, offer some useful insights into how to make flexibility work for as many consumers as possible.¹⁰

¹⁰ Centre for Sustainable Energy (2023) [Household engagement with the Demand Flexibility Service 2022/23](#)

Perhaps the most consistent concern to emerge from our research is that of fairness. Many consumers - including those who felt they could potentially participate - voiced strong concerns about the potential impact on those who could not. This category includes a diverse range of demographics from those who simply do not use much energy and therefore have less ability to flex, to those who cannot shift their energy usage and those who struggle to understand or engage with flexibility products overall.

We're asking the government to introduce a national information campaign on how households can contribute to net zero and invest in and expand statutory energy advice services. This should offer impartial support on topics like understanding flexibility offers and complement a national independent net zero advice service.

Data on who took part in the DFS is lacking, however those who took part in the evaluation research were more likely than the national average to be older, wealthier, suburban home-owners. While inconclusive, this indicates that a stronger focus on inclusivity in designing future flexibility offerings is likely to be important if such services are to be appealing and accessible to a wide range of consumers.

Suppliers should integrate existing knowledge from their Priority Services Register when engaging with consumers, including work to ensure that any emerging detriment is caught quickly. There are also broader questions about understandability, even among participants it is not clear that they all fully understood how much money they were saving or how best to alter their energy usage.

A recent trial from Nesta assessed whether different types of communication could affect opt-ins to individual DFS events or electricity usage.¹¹ Although the results indicated that none of their interventions favourably changed opt-ins or electricity consumption during events, Nesta were still able to draw some helpful conclusions. It thinks that focusing on how to encourage more people to enter into the DFS scheme in the first place may be more beneficial than understanding how to further motivate individuals who have already opted in. It

Citizens Advice (2023) [A flexible future: extending the benefits of energy flexibility to more people](#)

¹¹ Nesta (2023) [The results of our research into energy-saving events](#)

also suggests that focusing on minimising frictions to opting into events may be optimal to increasing savings from those participating.

Inevitably current evidence gives less insight into how such programmes will work in the longer term as consumers get more used to them but also potentially less engaged with them. We have seen some evidence of extreme participation which would likely be neither sustainable nor desirable in the longer term. The ESO's communication principles document for the 2023/24 service refers to the practice of consumers shifting load on to the Boundary Meter to manipulate the data for incentive gains and, as such, requires providers to "encourage consumers to participate appropriately and responsibly."¹²

If consumers on default tariffs are rewarded for reducing usage during certain points but not penalised for going above their normal usage there may be a case to be made for adopting such pricing by default as there would not be a downside for those unable to participate.

10. Do developments since the original MHHS decisions bring with them any new expectations for the benefits and/or risks of the transition to this new settlement process?

We remain supportive of MHHS and the benefits it should deliver to consumers through new opportunities to engage, and lower system costs overall. Delays in the smart meter rollout mean more people are now at risk of missing out on the benefits of MHHS, and may face higher prices as a result. The introduction of MHHS should be an opportunity to engage consumers and improve acceptance of smart meters in order to access benefits. Equally there are likely to be challenges with consumer perceptions that will need to be managed carefully to ensure that MHHS does not deepen negative attitudes in consumers who are agnostic or opposed to getting a smart meter installed.

Delays in the implementation timetable also bring some risks, in that consumer and system benefits will be delayed. For example, if there is less commercial incentive for suppliers to bring forward new tariff options this may impact consumer decisions related to adoption of technologies like electric vehicles, or

¹² National Grid ESO (2023) [Communication Principles v4: Demand Flexibility Service \(DFS\) Winter 23/24](#)

lead to charging behaviour which imposes more costs on the system. Any further delays in the timeline should be avoided, and alternative means to encourage flexibility in the absence of MHHS (such as the Winter DFS trial) should be explored in the interim.

11. Do you expect MHHS to impact on the tariffs retailers offer in the market? Why? When do you expect to see these changes (i.e. pre-2025, during the transition to MHHS, or after the full migration of customers)? Can you provide examples?

We would expect that MHHS will lead to new tariffs in the market, with some in advance of go-live if retailers use the current voluntary HHS route or simply wish to trial the consumer facing aspects of different products and services that will rely on HHS consumers without these being linked to settlement. However, we would expect this to be limited by the lack of widespread market price signals and that more products and services will be offered once the transition to MHHS begins.

MHHS may also affect 'standard' tariffs offered by suppliers, though the effects may take longer to be felt, including their default tariffs. In general it is likely that customers who have less 'peaky' usage will move onto time of use tariffs as these are widely offered, which is likely to increase the cost of single rate tariffs which are now being used by a more 'peaky' pool of consumers. To manage these risks and ensure fair outcomes it is likely that default product rules and the design of any price protections will need to be considered as part of the transition to MHHS.

12. Do retailers have access to the datasets and digital tools necessary to develop and offer innovative tariffs, once MHHS is in place? What are the barriers?

Not answered.

13. Across this innovation-focused section as a whole, have we captured the main barriers and opportunities for the energy retail market to play a greater role in the wider transformation of the energy system? Which of these barriers to innovation is the most important?

Yes. The most fundamental building blocks are the rollout of smart meters and the implementation of MHHS, as these underpin the technical and commercial case for developing new products and services. The key barriers to take up of products and services in all circumstances then relate to building consumer awareness and confidence to engage with new products and services, which we explore in the next section. The extent to which wider change to the market framework is necessary depends on a clearer assessment of which type of market is most likely to achieve its strategic objectives and deliver positive consumer outcomes.

Section 2: Working better for consumers

14. Are there further ways through which a more innovative market could improve outcomes for consumers? Please provide examples of specific retail propositions or new technologies.

Not answered.

15. What more can retailers do to build greater trust with their customers? What can government do to support this?

In a market with more diverse products and services it will be important for consumers to be able to make informed choices and be confident that the service they choose will achieve the intended outcomes. Contracts should also be flexible to meet changing needs, this is particularly important for customers on longer term contracts. We've previously called for energy regulations to be upgraded to adopt a new Consumer Duty, similar to that being introduced by the FCA for financial services.¹³ This approach focuses regulated entities on the outcomes from their products and ensures continuous evaluation and improvement. It also seeks to address information asymmetries that can arise with complex products and services of the type that are likely to emerge with smarter energy services in future.

Retailer resilience and appropriate contingencies for failures are also necessary for a wide range of consumers to feel confident engaging with products and services that may carry upfront costs and for which there may be long contracts.

Appropriate advice and redress, with access to enhanced support for consumers in vulnerable circumstances, is also vital. As products and services become more complex, clear consumer advice to resolve problems that straddle sectoral or existing regulatory boundaries will become even more important. Redress will remain an important route for consumers to enforce their rights if products and services do not achieve promised outcomes.

¹³ Citizens Advice (2022) [Raising the bar](#)

16. What mechanisms might be needed for consumers to exit contracts or switch providers if they have a material change in circumstances? What arrangements will be needed to ensure that retailers can recover the costs of assets provided to consumers who want to switch to a different provider?

Contracts will need robust consumer protections to avoid locking people into services that no longer meet their needs, or when there is a change in their circumstances.

Any service linked to properties needs to take account of future home moves, which are more likely to occur the longer a contract is in place. Some assets which are provided by a service may be portable to a new property, but others are likely to be deeply integrated into the fabric of the home, where removal will not be feasible or desirable, and consumers may not be able to afford to buy their way out of the contract. One option is for loans to be linked to the property rather than the consumer, meaning they are taken on by the next bill payer. The Green Deal framework already facilitates this approach, but has been relatively little used and may need reviewing to ensure it remains appropriate, and to understand how consumer uptake could be improved.

It will be important to ensure adequate protections are in place in the case that equipment is owned by a third party. This has been highlighted particularly through solar 'rent-a-roof' type schemes where finance providers pay for panels on the basis they then receive the benefits from feed-in payments. Our consumer service has received calls from consumers unclear on who owns the panels and how they might be able to buy them back. Or, in more extreme cases, consumers can struggle to sell or remortgage their home due to not being able to establish ownership of the solar panels.¹⁴

Contracts also need to be flexible enough to manage the changing needs of consumers after they sign up. For example, a person who has a child or develops a health issue may not be able to use a product and service in the same way it was originally intended. This could also improve take up by consumers who are less confident to use a service - for example, in recent

¹⁴ Citizens Advice (2021) [Home truths: The challenge and experience of making home energy improvements](#)

research on flexibility participants felt concerned that some products could lead to volatile bills.¹⁵

Retailers should design and test products with a range of needs in mind, and monitor outcomes to ensure that consumers are getting the intended results. This approach can be facilitated through upgrading consumer protections through a new Consumer Duty, similar to that introduced in financial services, which gives retailers greater ongoing responsibility for product outcomes.¹⁶

17. Can you provide examples of other opportunities from, barriers to, or risks associated with, longer-term contracting?

There are likely to be significant benefits to longer-term contracts for those who are otherwise unable to afford to install energy efficiency measures or low carbon technologies. However, a key barrier to longer-term contracting is consumer attitudes, with our research repeatedly finding that longer contracts - particularly those over 2 years - can be off-putting to many consumers, across homeowners, tenants and landlords.^{17,18} Over 8 in 10 consumers in recent research on energy efficiency were unwilling to borrow money to fund these measures.¹⁹

This can be seen in other markets too, for example in relation to mortgages where longer fixed term interest rates tend to be less popular. Many consumers strongly value flexibility and are often keen to avoid being 'locked-in', while those who can afford the upfront costs may prefer to avoid long contracts with ongoing repayments. A common concern is also likely that measures may not be effective, and even if they are, that the consumer will not see them payback over the medium term, especially if they move house.

As discussed in question 14, consumer protections can help to address these challenges, but they are likely to remain significant. Government, Ofgem and retailers need to learn the lessons from previous schemes, like the Green Deal, as well as trials of products and services to identify how to address these

¹⁵ Citizens Advice (2023) [A flexible future: extending the benefits of energy flexibility to more people](#)

¹⁶ Citizens Advice (2023) [Raising the bar](#)

¹⁷ Citizens Advice (2019) [Future for all: Making a future retail energy market work for everyone](#)

¹⁸ Citizens Advice (2022) [Room for Reform: Embedding fair outcomes for tenants in tomorrow's retail energy market](#)

¹⁹ Citizens Advice (2023) [Demand: Net Zero](#)

barriers, and ensure that a range of products and services are available to meet the needs of consumers at various stages of their lives. This must be accompanied by appropriate advice and information and robust consumer protections against products not delivering promised outcomes. Industry will also need to work with the finance sector to ensure that products are portable or can be disposed of in an appropriate way when the house is sold.

18. What opportunities and benefits might better use of consumer data by retailers provide consumers in the future? We would welcome specific evidence on:

18.1 What data sets, when shared with authorised third parties or suppliers, are necessary to support consumers with more tailored interventions?

We have called for a new cross-sectoral system that makes it simpler for consumers in vulnerable circumstances, and those supporting them, to inform essential service providers about their needs.²⁰ This key piece of digital architecture would overcome issues with the current system of priority services registers, which place significant burdens to consumers who need to use them to update their information with a plethora of different companies. It could also enable better understanding of financial vulnerability to enable companies to provide appropriate support.

We have also called for a new lump sum energy bill support scheme to ensure affordable energy for households at risk of fuel poverty during the net zero transition, while remaining portable in order to enable consumers to benefit from engaging with the market.²¹ This would rely on additional data sharing between government and suppliers to identify eligible low-income high-cost households. This could be allied with additional energy efficiency support, also targeted at these households.

²⁰ Citizens Advice (2023) [Closing the gap: How to improve customer support in essential services](#)

²¹ Citizens Advice (2023) [Fairer, warmer, cheaper: new energy bill support policies to support British households in an age of high prices - Citizens Advice](#)

18.2 What information, currently held by suppliers about the goods and services that they provide, should be more accessible to customers to improve their engagement with the market?

To enable accurate tariff comparison, consumers need to be able to easily find out what their current product is and how much energy they have used, and compare this with other products and services.

We are pleased that the government plans to introduce a licence condition on energy suppliers, and similar regulations for organisations providing load control, to make the information about the tariffs they offer available in a consistent format.²² It's important that this benefits consumers as well as the market. We know that one of people's main barriers to participating in smart energy services is not understanding and being able to compare offers. When we asked consumers to read information about smart energy services and then complete comprehension tests to check their understanding, 40% got something wrong in the tests.²³

For more complex time of use tariffs consumers will also need to access their historic, granular consumption data to model their likely costs. Some work in this regard has been conducted through the energy midata programme (currently paused), and through the smarter comparisons project, which built a useful prototype tool based on accessing data from the DCC, but which also identified significant barriers to uptake. It is likely that improved access to consumption and tariff data will remain important for consumers in order to confidently engage with smarter energy tariffs, as well as smarter tools to identify the impacts of adoption of different technologies and behaviour change on costs.

18.3 How retailers might do more to promote the benefits of greater access to consumer data and ensure that consumers are aware of data privacy protections.

As the energy market becomes increasingly data-driven it is crucial that consumers are able to trust that their personal data are being used for their benefit. It is telling that in our forthcoming consumer research on smart metering that the youngest and most comfortable with technology consumers

²² Citizens Advice (2022) [Citizens Advice response to BEIS's consultation on delivering a smart and secure electricity system](#)

²³ Citizens Advice (2021) [Powering up or facing resistance? How people understand the benefits of smart appliances](#)

are those who expressed the strongest desire for the ability to control how much of their smart data is accessible by their energy supplier²⁴.

Our previous research into energy consumer's views on data sharing and smart devices found that 89% of consumers rated the ability to opt-out of sharing their data if they wished as important²⁵. Frameworks like the Data Access and Privacy Framework which set out clearly what suppliers can access and what choices consumers can make have proven invaluable in reassuring consumers that in agreeing to have a smart meter they will still retain some control over how their personal energy usage data will be used and handled. In a highly asymmetrical market giving consumers some leverage to effectively ask "what do I get in exchange for sharing my valuable data?" is of great value in incentivising suppliers to offer desirable products, services or simply savings in exchange for more detailed data access.

Retailers should have a clear process to reassure consumers about how their data are used and provide clear channels to exercise both transparency and choice as well as the ability to correct or amend data sharing levels over time. While the majority of consumers will find themselves on whatever the effective default settings are, we know that consumers are greatly reassured by the knowledge that they can exercise such transparency and control.

In addition to transparency and control retailers will also need robust systems of accountability and redress when consumers have questions or things go wrong to ensure that consumers have a single point of trusted contact about their data. While companies may use authorised third parties or partner with other organisations to provide products and services it is vital that this does not create a customer service gap in which consumers are unable to find a single accountable party who can address any problems or concerns.

Given the structure of the smart meter rollout and DCC it is also vital that trustworthy systems that empower consumers, incentivise companies to pass on benefits and encourage competition on an equal playing field exist. We have previously voiced concerns about Ofgem's decision to pair the introduction of

²⁴ Based on a representative poll of 4,058 adults (18+) in the UK conducted by Savanta for Citizens Advice, fieldwork conducted in August 2023 (to be published later this year). 56% of people aged 18-34 with a smart thought it was important to be able to opt out of providing access smart meter data, compared to 31% of people aged 55+.

²⁵ Citizens Advice (2019) [Clear and in Control](#)

MHHS with a reduction in consumer's ability to choose the quantity and detail of their personal energy data their supplier can access without consent and a shift in the effective default level of sharing down to the most detailed half-hourly data²⁶.

While initially just for settlement purposes the allowed uses have now been further expanded to include forecasting and business readiness purposes, the latter a catchall term that effectively allows any use outside of direct marketing. This reduction in consumer control over their data and clarity as to what suppliers can use it for works against the goal of increasing trust in smart meters and the data-derived products and services they enable.

In addition to eliminating the supplier incentive to provide their customers with better products, services and prices they offer in exchange for more detailed access to consumer data, this approach also risks larger energy suppliers having default access to a detailed and valuable dataset of personal consumer data that smaller suppliers, new entrants and new service providers will not. This would grant the largest, most established market players a significant advantage in their ability to exploit consumer data insights for their own benefit.

A longstanding recommendation of ours, echoed by the Energy Digitalisation Taskforce²⁷, to help improve trust and transparency in smart meter data, and indeed the smart meter rollout, is the creation of a Smart Meter Data Consent portal²⁸. There is currently no means by which a consumer can find out who is accessing their smart meter data, in what detail and for what purposes. This lack of transparency increases distrust and makes it harder to reassure consumers that they will retain some control over how their personal data are used.

A consent dashboard would allow consumers basic transparency of their data and the ability to exercise choices about it, including updating preferences where - for example - they have stopped using a service, or wish to share more with a trusted third party. Such a tool would not only bring the energy sector up to standard best practice for data handling but also significantly increase consumer trust and reassurance about this growing market affording more

²⁶ Citizens Advice (2019) [Citizens Advice response to Ofgem's Decision for access to half-hourly electricity data for settlement purposes](#)

²⁷ Energy Digitalisation Taskforce [Delivering a Digitalised Energy System](#)

²⁸ Citizens Advice (2018) [The Smart Meter Data Dashboard](#)

consumers greater confidence to participate through the knowledge that have such a tool available.

19. Where are the biggest risks to consumer perception around the smart products and services that might emerge in the future retail market? How likely are these risks? Are there mitigations?

The rollout of smart meters has demonstrated that a significant minority of consumers are sceptical of new technology or don't view it as something that can provide them with meaningful benefits. This can sometimes relate to wider distrust of energy suppliers and government bodies. Similar attitudes have been seen in Citizens Advice research towards time of use products in particular, which many consumers instinctively view as an opportunity for companies to increase their profits.^{29,30}

Market-wide interventions that affect all customers are likely to pose the biggest challenges, whereas those that are based on organic and individual choice may naturally enable early adopters to engage, while sceptics can delay making changes. It is therefore likely that the transition to MHHS represents a point of particular risk. To manage this, the Government should develop a clear benefits realisation strategy and a carefully managed communications campaign, making use of a range of media, public and third sector organisations to inform consumers about the changes, as well as providing high quality advice. This should align with a wider net zero information campaign and advice provision to help people understand wider changes that they need to consider in relation to changes like installing heat pumps or purchasing EVs.

More broadly, robust consumer protections for those who do engage should help ensure a positive consumer experience and word of mouth promotion of benefits, while protections against negative impacts for those who don't engage, or struggle to do so, should limit the scope for people feeling that change or negative impacts are being 'imposed' on them. We explore these protections in more detail in answer to other questions.

²⁹ Citizens Advice (2019) [Future for all: Making a future retail energy market work for everyone](#)

³⁰ Citizens Advice (2022) [Room for Reform: Embedding fair outcomes for tenants in tomorrow's retail energy market](#)

20. Can you provide any evidence of the extent to which consumers understand current non-standard tariff offerings, such as EV or Time of Use tariffs? How does this vary for different consumer groups? What can be done to increase this understanding?

Our research has previously identified significant issues for consumers using legacy time of use tariffs (such as Economy 7) including only a quarter being aware of what their off-peak usage times were, and only half making efforts to try to shift energy usage in response to their tariff to save money.³¹ Much better information and advice from suppliers is needed to support these consumers, as well as maximising the benefits of transitioning to smart meters by enabling customers much more control of their energy usage and ability to switch to single rate products if these are beneficial.

Similar risks are likely to exist for some consumers in relation to smart time of use tariffs, particularly as these are used by a wider pool of consumers than the current 'early adopters'. Previous comprehension testing as part of Citizens Advice research in conjunction with the Behavioural Insights Team showed around 4 in 10 participants did not understand information that was provided.³²

More recent qualitative research with people who are likely to face barriers to participating in energy flexibility found low awareness and understanding of non-standard tariff offerings. To tackle these issues the Government could introduce a national information campaign on how households can contribute to net zero, as well as invest in expanded statutory advice designed to offer impartial support on topics like smart tariff comparison, complemented by a national independent net zero advice service.

³¹ Citizens Advice (2018) [False Economy](#)

³² Citizens Advice (2020) [Powering up or facing resistance? How people understand the benefits of smart appliances](#)

21. What interventions could empower consumers to find deals that are best suited to them? We would also welcome specific evidence on (21.1) what more retailers could do to help their customers understand whether they are best served by their current deal, and (21.2) how retailers and third-party intermediaries could play a greater role in increasing general consumer awareness of smarter products and services.

In the current market, retailers in the non-domestic sector could do significantly more to inform their customers about better deals - for example by replicating the Cheaper Tariff Messaging and reminders about switching that are sent to domestic consumers.

Ofgem's trials of opt-in engagement measures showed measurable success for supporting engagement by consumers on default tariffs by letting them know about better deals based on their consumption, alongside a simplified switching process, including offline channels of communication. We continue to view this approach as one way of improving outcomes for consumers who otherwise struggle to engage, particularly digitally disadvantaged consumers who can't access, or struggle to use, services like TPIs.³³ The original trials did not include comparison of smart time of use tariffs, but further trials could be run to consider the effectiveness of the approach with more complex products and services.

In relation to TPIs, smarter tariff comparison is likely to help consumers more confidently engage with smart products and services - see question 18.2 above for details. We are concerned that certain TPI business models that were active prior to 2021 delivered poor outcomes for consumers, who could end up paying more and losing out on protections and support from their supplier. We set this out in further detail in response to question 3, and our view that these services need to be regulated to ensure consumer outcomes align with wider strategic objectives, including around flexibility.

³³ Citizens Advice (2023) [Access Denied: Digital disadvantage and exclusion in the energy market](#)

22. Across both the domestic and non-domestic markets, are there particular groups of consumers who are most at risk of missing out on the benefits of greater innovation in the retail market? We would also welcome specific evidence on (22.1) the main barriers which prevent these consumers (including those in vulnerable circumstances) from participating in, or benefiting from, innovation and (22.2) the interventions that could support these groups.

As set out in the Government's previous retail strategy, a future market is likely to see the best outcomes for consumers who engage with smart energy services aligned with low carbon technologies, while those who rely on 'standard' gas and electricity products and don't engage with the market are likely to continue to remain at risk of the worst outcomes. It's therefore important to improve engagement through this hierarchy, to ensure better market outcomes for as many consumers as possible.

Some consumers will face additional barriers or challenges to engaging in a future market. These are likely to manifest at various points of the customer journey, from awareness, to product selection, to ongoing product use.³⁴ Our research has identified issues for specific groups, including:

- People on lower incomes who can't afford the upfront cost of some technologies, or have a poor credit history that means they can't access affordable finance in the market. This is discussed in response to question 23. If consumers are in debt they can be prevented from switching supplier altogether, and can therefore be stuck on more expensive deals.
- People who rent their homes may not control their energy supply, and need their landlords permission to make changes to their home. They are unlikely to enter longer contracts which don't align with their tenancy, or install equipment their landlord will ultimately benefit from.

We've called for renters to have a 'right to control' their supply if there are no technical barriers to them doing so, and for action to be taken to limit the use of

³⁴ Citizens Advice (2023) [A flexible future: extending the benefits of energy flexibility to more people](#)

sub-meters that prevent consumers from benefiting from the market and accessing financial support, as well as being at higher risk if they are disconnected.³⁵

- People who don't use the internet or have low digital skills face significant barriers to engaging and using products and services that rely on technology and digital tools.³⁶ This is a societal issue which will continue to affect millions of people by 2030, and one with significant impacts in relation to energy as the market transforms. These customers could be supported through non-digital routes to engage with traditional energy products (as demonstrated by Ofgem's opt-in engagement trials), and may be able to make use of newer products and services (potentially with support from others) if these are designed with a range of needs in mind. Support for innovation projects targeting this cohort could help develop best practice.
- People who live in types of properties that cannot install certain types of services. For example, high rise flats may have less scope to make changes due to leasehold agreements and may have a much more limited range of technologies that are suitable for their home. These barriers are hard to overcome, though the Government can support development of products and services for certain niches, and address leaseholder rights to give more control.

While it is important to tackle these barriers and enable more engagement, we should also recognise that some in these groups may continue to struggle to engage, especially if they face multiple barriers. It's vital that the market continues to enable savings for those purchasing 'standard' gas and electricity products, and protects those on default products from unfair prices. For those on low incomes and at risk of fuel poverty we've set out how a new bill support mechanism could ensure energy affordability, and be portable to support both consumers who choose to engage in the market and those that do not.³⁷

³⁵ Citizens Advice (2022) [Room for Reform: Embedding fair outcomes for tenants in tomorrow's retail energy market](#)

³⁶ Citizens Advice (2023) [Access Denied: Digital disadvantage and exclusion in the energy market](#)

³⁷ Citizens Advice (2023) [Fairer, warmer, cheaper: new energy bill support policies to support British households in an age of high prices](#)

23. Can you provide examples of specific innovative retail propositions which might be particularly valuable for vulnerable consumers? Are there likely to be sufficient commercial incentives to bring forward these propositions?

Even as the prices of heat pumps decline, the upfront costs are likely to remain a barrier for people on low incomes. Propositions which help overcome these financial barriers are likely to be particularly beneficial, but may be seen as too risky for commercial providers to take on. Government should consider mechanisms that could de-risk these services, such as underwriting loans.

Our research shows landlords currently have relatively little incentive to engage on energy performance.³⁸ Introduction of stronger Minimum Energy Efficiency Standards could catalyse a market for services that help landlords improve the efficiency of their homes and, if aligned with Energy Performance Certificate reform, incentivise installation of heat pumps. However, if landlords enter into longer energy service contracts it is vital that these also meet the needs of their tenants, and that Maximum Resale Price regulations are updated to clarify how they pass costs on to their tenants.³⁹

24. Across this consumer-focused section as a whole, have we captured the main non-price opportunities and risks to consumers presented by a more innovative retail market? To what extent is the current consumer protection framework fit to enable these opportunities and manage and alleviate these risks?

The current consumer protection framework is not likely to lead to widespread engagement with new products and services. Retaining the current approach will likely limit take up of these services to more confident, more engaged and more financially resilient consumers. It is vital that protections are upgraded through reforms including a new Consumer Duty on retailers and focus on delivering outcomes, appropriate regulation of new flexibility services and TPIs, specific

³⁸ Citizens Advice (2023) [Damp, Cold and Full of Mould](#), and Citizens Advice (2023) [3 reasons why we need better energy efficiency standards in the private rented sector](#)

³⁹ Citizens Advice (2023) Forthcoming response to Ofgem's non-domestic market review consultation

actions to tackle issues like lock-in and interoperability, and high quality information, advice and redress.

Section 3: More resilient and investable

25. Would existing financial resilience regulations and monitoring remain appropriate in a market with a more diverse range of participants and business models? Please point to specific examples.

Prior to 2021, a lax regulatory regime and government policy to exempt smaller suppliers from schemes enabled an influx of new entrants, many of which were poorly prepared to offer decent services and subsequently failed, leading to mutualised costs to energy consumers of over £2.5bn.

Ofgem's new capital adequacy resilience regulations have been designed based on the current market arrangements, and the regulator has already been clear that these may need to be reviewed in future, for example if the price cap is removed or reformed.⁴⁰ Rules that require ring fencing of payments to the Renewables Obligation are likely to remain appropriate for all participants who are required to participate in the scheme, unless or until the scheme is reformed to enable more regular payments.

Fundamentally there must continue to be safeguards against mutualised costs in the case of supplier failure, appropriate to the size of the risk posed in the market. These could be delivered differently in future - for example, an insurance model has been proposed previously, or requirements to ringfence credit balances.

26. Are there any current products, services, or business models for which existing contingency measures are inappropriate or act as a barrier to new products, services, or business models

Not answered.

⁴⁰Ofgem (2023) [Decision on introducing a minimum capital requirement and ringfencing customer credit balances by direction](#)

27. What changes may need to be made to existing contingency measures for dealing with market exits in a future market with a more diverse range of participants and business models? Please point to specific examples.

In relation to protection for consumers using energy services which integrate equipment and supply of energy, Supplier of Last Resort protections will continue to provide for basic energy supply only. Ofgem may be able to seek to safeguard wider aspects of service if other companies are willing to bid to offer these in the SoLR process, or it may be necessary to place more businesses into special administration in order to seek to maintain services by better enabling a purchase of the wider business.

Ofgem is currently limited in the scope of actions it can take prior to failure of a supplier as compared to others (like the FCA). If there are greater consumer risks in future it may be necessary to enhance their toolkit by giving them 'step-in rights' to directly intervene in the running of a struggling company.

If it is not possible to maintain an integrated energy service this could result in greater disruption for consumers whose energy supply has been deeply integrated with technology that cannot work with other suppliers, or in doing so achieves sub-optimal outcomes. It's vital that equipment is interoperable between companies in all circumstances, and that consumers are properly informed of any risks in relation to what may happen if their provider should fail. There also need to be appropriate protections against repossession of equipment that people rely on for essential services (eg heating their home).

28. Are there additional steps that government should take to minimise as far as possible the costs of a market participant failing, and ensure that these costs are appropriately allocated, in the future retail market?

Government should ensure that its various schemes delivered by suppliers are designed to minimise the risk of mutualised costs. Liabilities can be limited by more regular payment schedules and robust action to tackle non-payment. Modern schemes tend to have a monthly payment schedule, whereas legacy schemes are less regular, with the most significant costs arising from the Renewables Obligation which is only paid annually.

Government should also ensure there is a level playing field for competition by designing schemes with universal (or near-universal) coverage. Previous exemptions helped enable business models which struggled when they passed thresholds for inclusion, and also meant consumers missed out on key support like the Warm Home Discount.

29. Exposure to volatile wholesale prices and hedging decisions to manage this wholesale risk have been a major cause of retail market instability. To what extent do you think sources of risk will shift with changes underway in the retail market? What new risks do you envisage?

Exposure to volatile wholesale prices is currently limited in the retail market. This is due to low levels of customer switching making the number of customers being supplied, and so the amount of energy to be purchased, more predictable than usual. The new financial resilience requirement on energy suppliers should result in less risky hedging strategies and so potentially this lower risk environment being maintained.

Reforms being considered as part of REMA, in particular some forms of locational pricing, would introduce new forms of risks that suppliers would have to manage. However, there is still limited detail on exactly how these reforms would be implemented, so the extent of the risk placed on suppliers remains unclear. We also note that the decisions made as part of REMA and the future design of the retail market should be considered in a more holistic way, in order to have a clearer understanding of how wholesale reforms might impact suppliers and the retail market.⁴¹

30. What risks or opportunities for retailers do you envisage in changes underway elsewhere in the wider energy system?

Not answered.

31. What role, if any, could the retail market play in supporting investment in new and emerging low carbon generation technologies, such as Small Modular Reactors?

Not answered.

⁴¹ Citizens Advice (2023), [It's all about location](#)

32. Across this 'resilient and investable' section as a whole, are there any issues related to the extent to which the retail market is resilient and investable that we have not captured?

Not answered.

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