

Taking Control

Executive Summary

October 2014



Taking control

The UK Government estimates efficient use of energy by households could reduce demand equivalent to the output from 22 power stations by 2020.¹ That level of efficiency would drive down bills directly and indirectly, by reducing both household demand on the grid and the need to invest in new poles, wires and other infrastructure. It would also have more far-reaching benefits: helping the nation meet its legally binding renewable energy targets and carbon emission reduction goals, and helping mitigate climate change.

Citizens Advice and Citizens Advice Scotland (hereafter referred to together as 'The Citizens Advice Service') has reviewed policies that help consumers use less, waste less and pay less. It considers where energy and bill savings can be made and, where they are not being saved through current policy, and the wider policy-making approach, it sets out approaches that meet the needs of today's and tomorrow's consumers.

Where there's a challenge there's an opportunity

While political parties may disagree on the 'how' of reducing energy demand, we welcome the continued political consensus on the challenges that face the nation's energy supply:

- **Affordable energy bills** – rising bills affect everyone, but hit the most vulnerable hardest.
- **Secure energy supply** – meeting inflexible and growing demand from intermittent and inflexible supplies.
- **Carbon emission reduction** – substantial and sustained reductions of greenhouse gas emissions are required to limit climate change.²

Citizens Advice thinks the policy response is also threefold: the competition investigation to ensure energy is produced and delivered as cost-effectively as possible; a new fuel poverty programme that overhauls the British housing stock to make it fit for the 21st century; and, the focus of this paper, ensuring that consumers can take control of their energy bills.

Demand reduction policies offer opportunities to help meet these challenges, whilst also delivering a range of social and environmental benefits, and again are largely subject to political consensus.

The debate to be had is over the design and implementation of policies in a challenging environment where each household is unique, incomes are squeezed and consumer interest is lacking. And how do they work as a system? Demand-side measures have a cumulative impact, and can affect each other's effectiveness. This may lead to competing policies or incomplete solutions.³

¹ DECC (2012) *Annex E: the energy efficiency marginal abatement cost curve*, <http://bit.ly/1COQqAJ>, p7

² IPCC (2014) *Fifth Assessment Report* <http://bit.ly/1lx6GIK>

³ DECC (2014) *D3: Opportunities for integrating demand side policies*, <http://bit.ly/1wtjaig>

Progress to date

Since 2005, consumer gas prices have risen by over 120 per cent, retail electricity prices have risen over 75 per cent, and the cost of liquid heating fuels has more than doubled. The National Audit Office (NAO) says utility bills will increase over the next 10 years to fund large-scale infrastructure spending, and carbon taxes will add £67 per year to the average household energy bill by 2020, and that is before geopolitical risks take their toll.

Despite this seemingly clear cost driver to use less, waste less and pay less, policies to engage, enable and encourage uptake of energy, and bill-saving, measures are yet to gain traction with the British public. Energy costs are increasingly cited as a worry by low income families, with around 3.5 million homes living in fuel poverty.⁴

The Committee on Climate Change (CCC) reports that carbon emissions have fallen in the building sector,⁵ due to a mix of energy efficiency improvement, the recession and changes in the electricity sector; but the Committee also notes the sharp fall in insulation rates since the introduction of the Energy Company Obligation and the Green Deal in early 2013.

The Citizens Advice Service puts this sharp fall in uptake rates down to a failure to understand the complexity of the consumer journey. Its review of individual policies shows the breadth and depth of levers available to, and in use by Government. It also shows that policy development is often incomplete: failing to identify the trigger for action, providing an incomplete accreditation framework, providing better information without ensuring consumers can then use that information to take control; or weakening building regulations which not only has a direct impact on home-buyers but also sends a signal to the wider property market of the low value the Government places on energy efficiency.

If we, as a society, are serious about tackling the high energy bills that harm the health and opportunities of too many households, we need to pull together and deliver a consistent vision with complete consumer policies. We strongly believe that Government and other sectors can build consumer confidence, but Government policy needs to present a more consistent vision to consumers and apply a fuller understanding of the factors that support that confidence.

⁴ Note these figures are based on different definitions of fuel poverty. Fuel poverty in England is measured by the Low Income High Costs definition, <http://bit.ly/1BwYeck>; in Wales and Scotland it is defined as a household with a spend of 10 per cent or more of their income on energy, <http://bit.ly/1t4DK82>, <http://bit.ly/1yXpQYz>

⁵ CCC (2014) *Meeting Carbon Budgets – 2014 Progress Report to Government*, <http://bit.ly/1oWKvVJ>

Our vision

The Citizens Advice Service has a vision for energy services that addresses the key challenges in policy development. Individual policies may not be able to deliver on all aspects, due to the complexity of the issues they seek to address, but there is both the potential and the need to deliver this vision in the round.

Energy services are affordable, accessible and safe for all.

Principles

1. Affordable

Energy is an essential service. Keep it affordable by giving consumers the ability to control their energy use, and minimising the costs that are passed on by industry and government through bills. Profits need to be earned; and today's hard-pressed consumers cannot carry the full costs of lack of investment in the past and the high upfront cost of low carbon generation.

2. Accessible

Customers need simplicity. Ensure access to advice, supply, products and services is hassle free and quick. If products and systems are not easy to use, energy and cost saving potential is quickly lost.

The energy services market itself needs to be accessible – whether that is to new generators and suppliers in the energy market or to products and services used in the home. Innovation is key to answering the challenges of the 21st century.

3. Safe

There have been a myriad of industry scandals. Customers should not be mis-sold to, misled or face requests for unreasonable fees or demands. Regulations must be enforced, and when things go wrong there must be an easy way to get resolution and redress.

Consider also the needs of future consumers. The upfront costs of moving to a low carbon economy are a vital investment for long-term benefits. The indirect benefit of mitigating climate change is more than matched by the direct benefit of healthier, cheaper-to-heat homes that could eliminate fuel poverty.

4. Fair

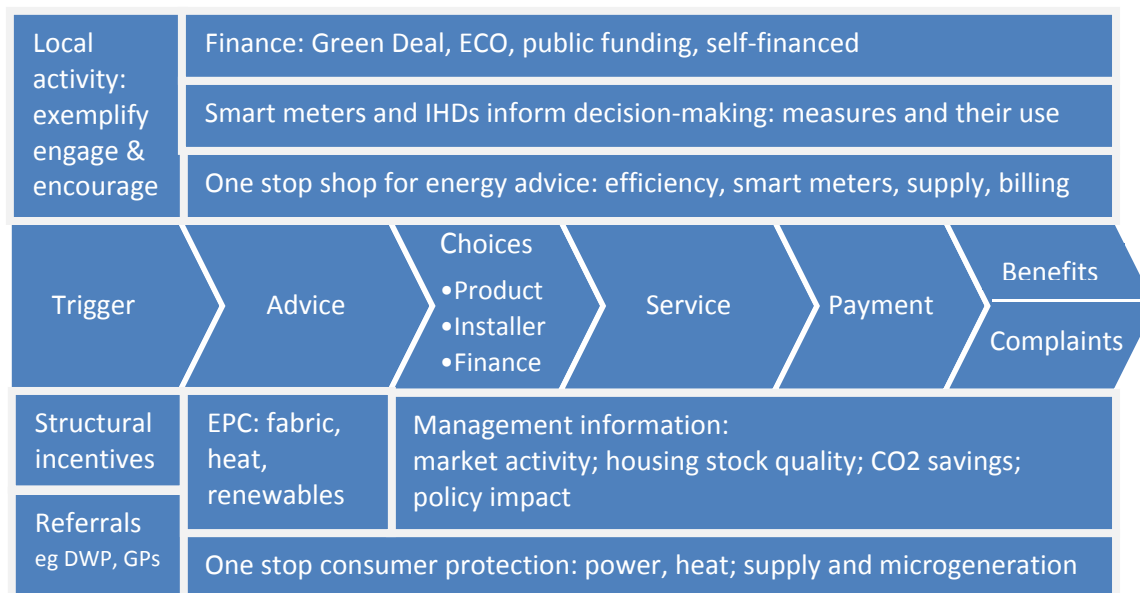
Energy services must meet the needs of all consumers including those who are vulnerable because of their particular circumstances such as income, health, heating system or housing. This means calls for cost-reflectivity must be tempered by the need to ensure all consumers can meet their basic needs, now and in the future.

A framework for consumer confidence

The Citizens Advice Service is concerned that while Government has shown it can identify new services and provide legislative and regulatory backing to ensure they work in technical terms, it is not giving sufficient attention to consumer willingness to engage. This was a concern that our predecessor as statutory energy watchdog, Consumer Focus, consistently raised in the development of the Green Deal, and we want lessons learned.

In the main body of this report we review individual policies that affect consumers' ability to reduce bills by switching supplier or tariff, or by taking action to reduce demand. We make recommendations to make demand-reduction policies more affordable, accessible, safer and fairer. These would in themselves be an improvement but should not be considered in isolation. We want to see a systems approach that recognises the links between policies, encouraging synergies rather than competition between policies, summarised in Figure 1.

Figure 1: Demand reduction – a framework for consumer confidence

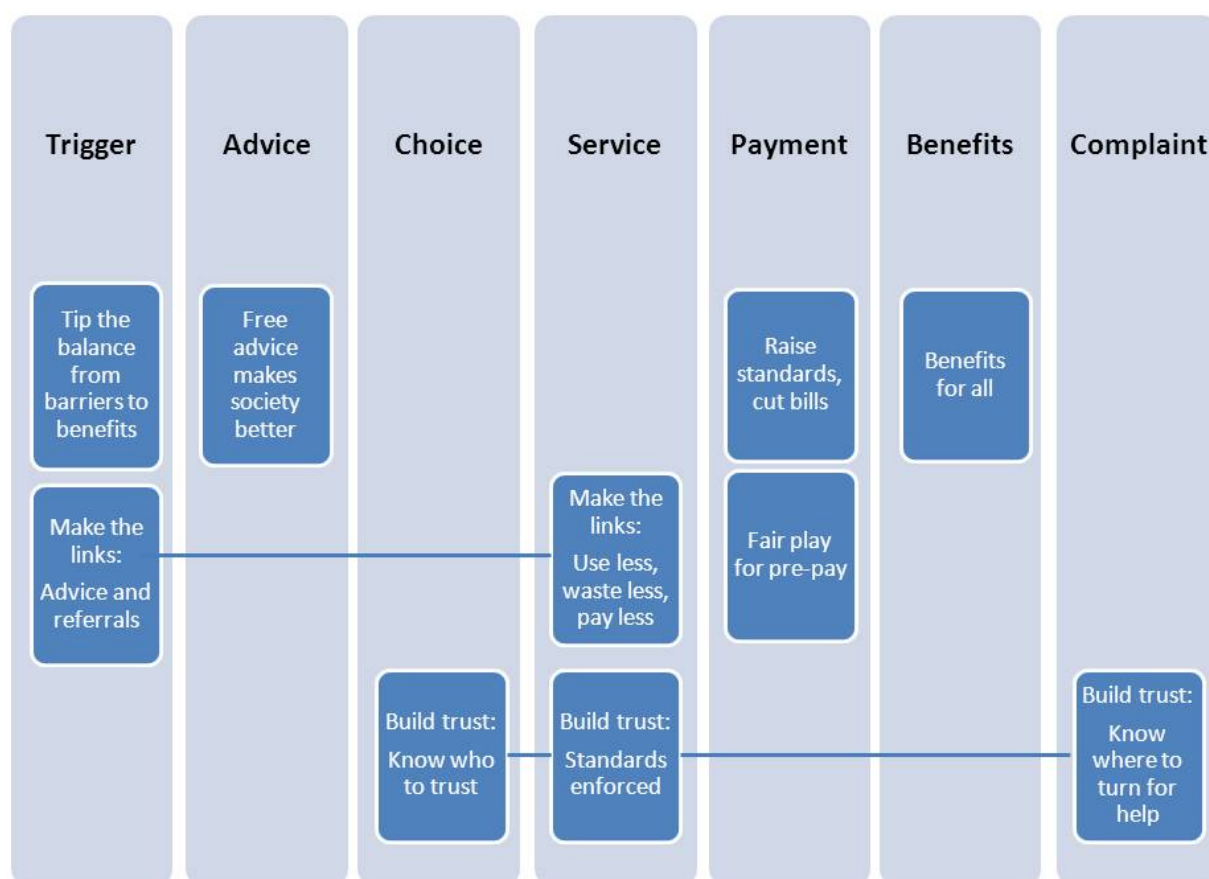


The core of this framework is formed by the steps a consumer will need to take to save money on their bills. Support will be needed where consumers are not taking these steps. For example, what intervention could bring forward demand for energy efficient housing? How could the Government make it easier for consumers to navigate the complexities of advice provision in the energy market? How does the consumer know who to trust to install measures, and why charge them an interest rate on energy efficiency measures that have such a benefit for society? Some interventions may support a single step; others, such as joined up protections, could support consumers through multiple steps, for the uptake of multiple products and services.

Mapping strategic objectives

The challenges and opportunities behind both the vision and the consumer confidence framework are complex. Taking the issues emerging from its review of individual policies, the Citizens Advice Service has mapped the key objectives which it believes could pave the way from today’s challenges to tomorrow’s confident marketplace.

Figure 2: Strategy map for improving a consumer’s ability to take control



Tip the balance from barriers to benefits

Consumers weigh up what’s on offer. Perceived benefits need to outweigh the perceived barriers, including costs, before they take action, and policymakers need to put customers’ needs, motivations and concerns at the centre of planning to increase response rates, reduce costs and avoid wasted effort.

Make the links

A failure to make the links from the consumer perspective affects the cost of delivery and the consumer experience, which in turn potentially limits uptake and affects the reputation of bill-saving measures, potentially pushing the cost of the transition up further.

Free advice makes society better

Rising energy bills in a complex market means it's important that people can access relevant, impartial advice, can get help to make complex decisions and have the confidence and opportunity to act on the issues that concern them.

Build trust

The public has lost confidence in the energy market, largely due to a lack of transparency and supplier behaviour such as mis-selling, badly explained tariffs, and variable complaint-handling standards. Progress is being made but we must remember these issues were not isolated, were reported by the consumer watchdogs, and could have been avoided. We want lessons to be learned for the wider energy services market in terms of the role of energy companies, and how standards are assured.

Raise standards, cut bills

High energy bills are not purely a function of the retail market. Energy price rises, in part driven by geopolitical risks, are exacerbated by the quality of British housing. There is a strong economic and social case for investment in domestic energy efficiency, and it is not appropriate for all such improvements to be funded through energy bills. Where possible the beneficiary should pay to focus funds where they are most needed.

Fair play for pre-pay

Despite paying on average £80 a year more than Direct Debit customers, energy prepayment meter (PPM) users get a second class service including limited top up options, little or no choice of tariffs, faulty keys or meters, and poor customer service. Vulnerable consumers have as much right as any, and more need than most, to have control over their bills.

Benefits for all

The Citizens Advice Service believes it important that customers get maximum benefit and minimum inconvenience from policies, and that nobody is left behind. All customers should be able to access improvements from new smart technology that they are funding, and all households must have a pathway to access energy efficiency measures regardless of their income, payment method, location, dwelling or personal circumstances.

To make a complaint, get advice about the quality of your electricity or gas supply, or ask for help if you're struggling to pay your bills contact the **Citizens Advice consumer service** on **03454 04 05 06** or visit **www.citizensadvice.org.uk/energy**

For free and impartial energy saving advice call Energy Saving Advice Service on 0300 123 1234 or, in Scotland, call Home Energy Scotland on 0808 808 2282.

Aims and principles

The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination.

The service aims:

- to provide the advice people need for the problems they face
- to improve the policies and practices that affect people's lives.

Citizens Advice

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www.citizensadvice.org.uk

www.adviceguide.org.uk

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux.
Registered charity number 279057.

