# Let’s have flexibility that works for consumers, not flexible consumers

citizens advice

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# About Citizens Advice

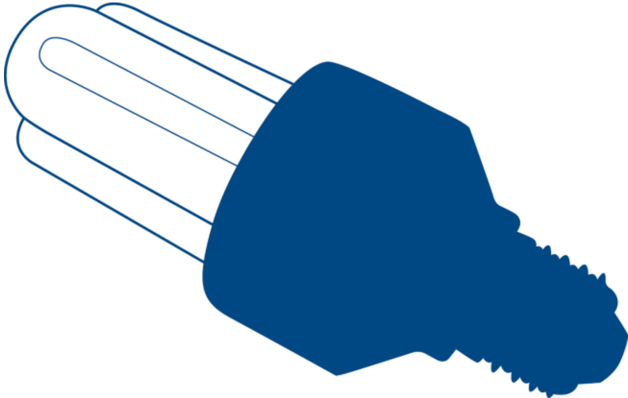
Citizens Advice and Citizens Advice Scotland represent consumers across essential regulated markets. We are the statutory consumer advocate for energy and postal services in Great Britain and for water in Scotland. We use compelling evidence and expert analysis to put consumer interests at the heart of policy-making and market behaviour. We have a number of responsibilities, including unique powers to require private and public bodies to disclose information.

We tackle issues that matter to consumers, working with people and a range of different organisations to champion creative solutions that make a difference to consumers' lives.

# Our role

The Citizens Advice service:

- Provides energy consumers with accessible advice as well as help raising a complaint through our core channels of web, telephone and face to face
- Provides energy consumers with information enabling them make decisions about their supply and access specialist services
- Advocates on behalf of energy consumers to ensure regulation reflects how they actually think and behave



# Domestic consumers

## All of us.

- In 2016 the population of Great Britain was **63.7 million**, its largest ever.
- Great Britain's population is projected to continue growing, reaching over **70.5 million** by 2039.
- The population in the UK is getting older with 18% aged 65 and over and 2.4% aged 85 and over.
- In 2016, there were 285 people aged 65 and over for every 1,000 people aged 16 to 64 years ("traditional working age").
- Births are continuing to outnumber deaths and immigration continues to outnumber emigration, resulting in a growing population.

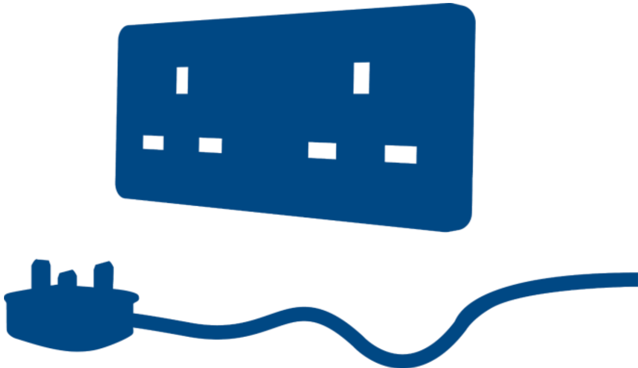
Source: Office for National Statistics

# Consumers - Micro-business

- In 2017, there were 5.7 million businesses in the UK.
- Over 99% of businesses are Small or Medium Sized businesses – employing 0-249 people
- 5.5 million (96%) businesses were micro-businesses* – employing 0-9 people.
- Micro-businesses accounted for 33% of employment and 22% of turnover.

Source: Business Statistics - Commons Briefing papers SN06152

* This is not the definition normally used in the energy sector

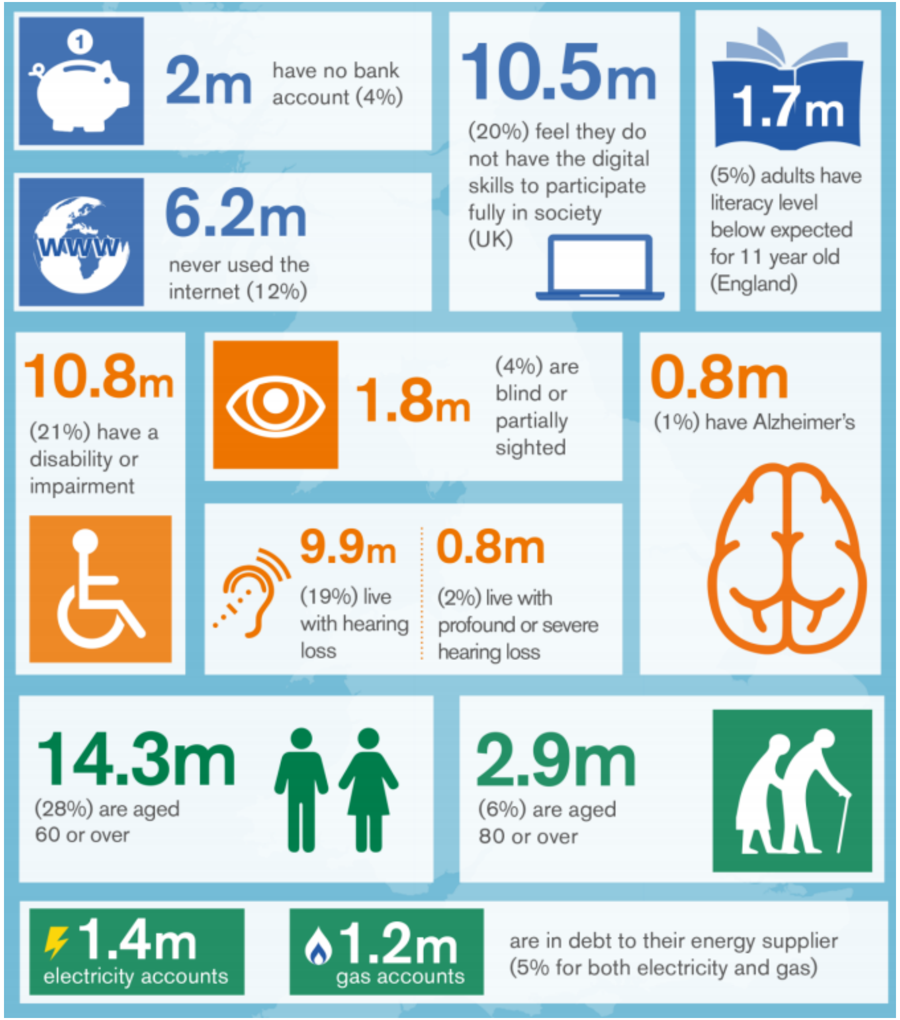


# Vulnerability in energy is complex

How will this change in a dynamic market?

- Don't have a smart meter/can't communicate?
- Don't have an electric vehicle/smart appliances?
- Can't/won't share data?

Source: [Consumer Vulnerability Strategy Progress Report 2015](), Ofgem



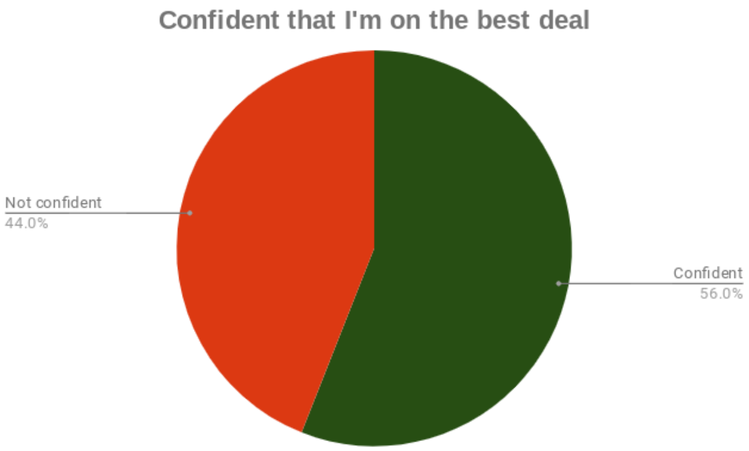
# Consumer behaviour can have significant impacts

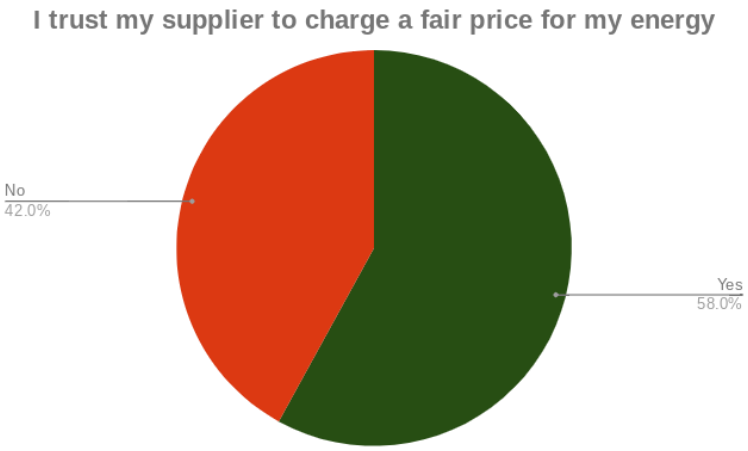
**Figure 1. Extra costs faced by GB energy consumers**

| | Average annual cost | No. households affected | Total annual cost | Vulnerable groups affected in particular |
|---|---|---|---|---|
| Standard tariff/not switching[1] | £140 | 18.5 million | £2bn | Low income, low qualifications, elderly |
| Energy inefficient home[2] | £600 | 5.9 million | £3.5bn | Private renters (young, low income) |
| Higher energy needs (at home during day)[3] | £230 | 11.9 million | £3.5bn | Elderly, young children, disabled, low income |
| Barriers to using smart data[4] | £30-40 | 4 million | £140m | Elderly, no qualifications, long term illness |
| Significant peak-time consumption[5] | £30-40 | 2 million | £70m | Low income, families, pensioners |

Source: Frozen Out, Citizens Advice, March 2017

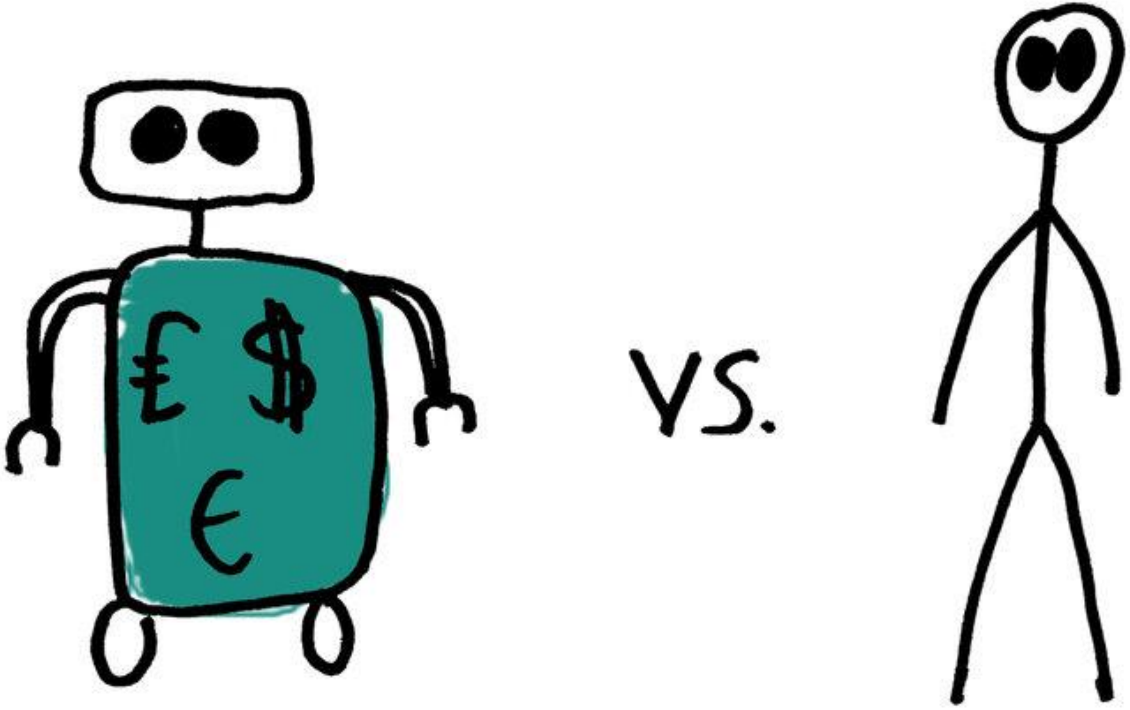
# Trust




Source: Consumer Engagement in the Energy Market 2017, Ofgem, GfK

# Homo Economicus



# Why are humans imperfect decision makers

Bounded rationality

Heuristics

Biases over time

How we deal with risk

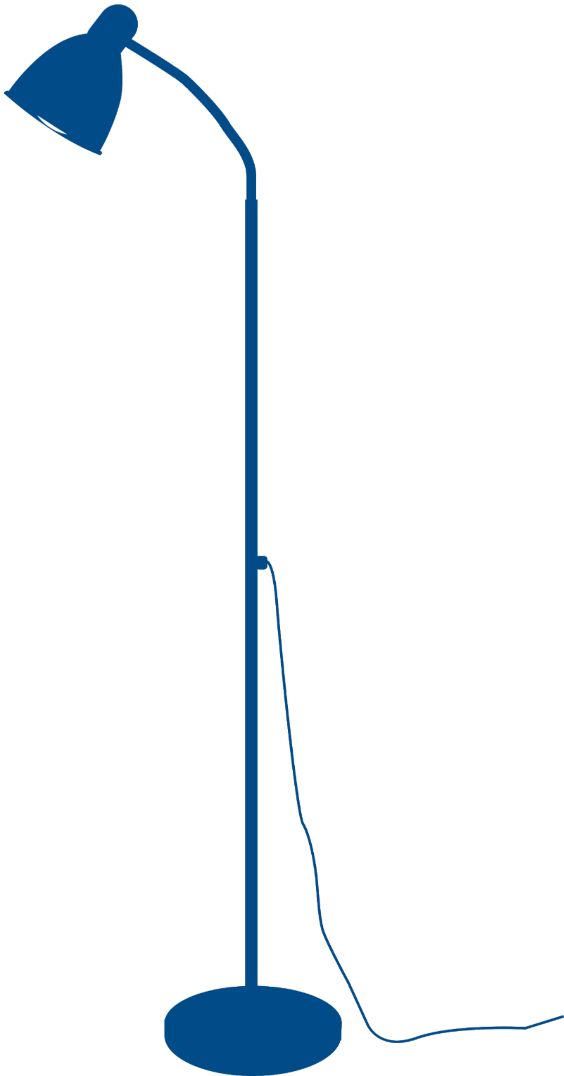
Social motivations

Personal factors

# Top energy consumer issues

1. **Billing**
2. Debt/disconnections
3. Transfers
4. Pre-Payment Meters
5. Customer Service Failure
6. Smart meters
7. Marketing
8. Metering
9. Information
10. Distribution / Transportation

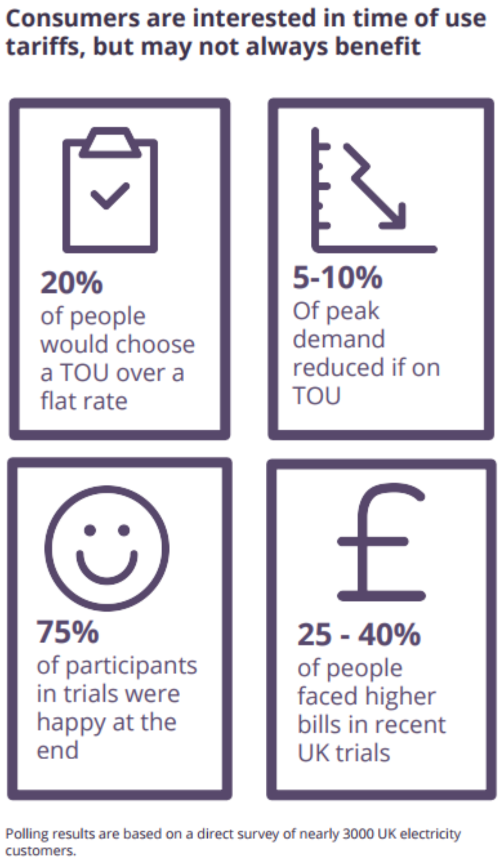
Source: Citizens Advice, February 2018



# Time of use tariffs

Consumers are interested in time of use tariffs

- But without electric heating and electric vehicles  the value of time of use tariffs to the system is modest.
- Real time pricing could provide much more value when combined with automated controls
- Consumer may not be able to accurately compare time of use tariffs
- Vulnerable consumers may struggle to receive benefits from time of use tariffs.




Source: The Value of Time of Use Tariffs (Summary), Citizens Advice, 2017

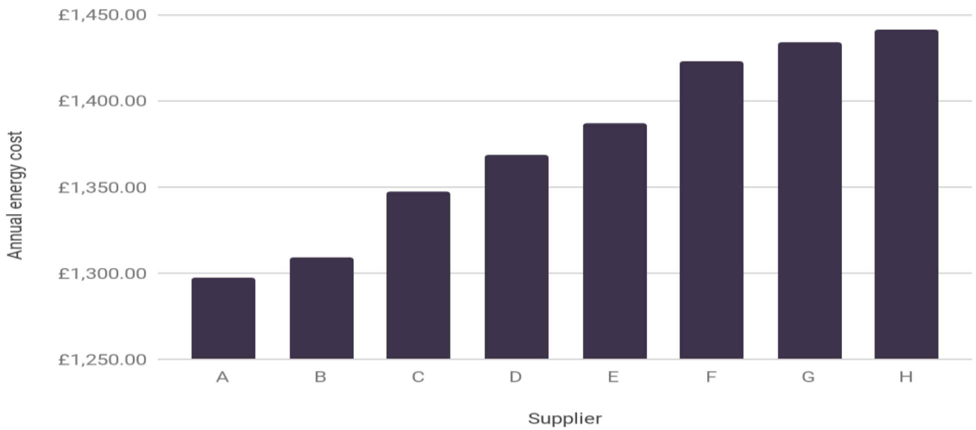
# How good a deal are single rate tariffs for EV drivers?

We created a price model to estimate annual dual fuel energy costs of the single rate tariffs targeted at EV customers. (Appendix B)

What we found:

- Prices between tariffs range from **£1,298** to **£1,442 per year.**
- The difference between the cheapest and the most expensive single rate tariff is **£144**.
- The **average** cost across all of the EV single rate tariffs is **£1,376 per year.**

**The estimated annual price of the single rate meter tariffs for EV drivers***




Prices are correct as of September 2018, but are subject to change by suppliers.

* The suppliers have been anonymised and the letters A - H represent individual suppliers and their tariffs. The suppliers keep the same letter throughout the report.

The figures shown in this graph are based on a vehicle using 4,600 kWh of electricity (Average domestic use = 3,100 kWh + estimated average EV use = 1,500 kWh) and 12,000 kWh of gas per year.

# EV tariffs

As of September 2018, we found that **10 out of the 72 active domestic energy suppliers** offer an EV tariff.

The number of EV tariffs increased **from two** in August 2017 **to 10** in September 2018.

**Half** of the tariffs analysed in this report offer a discount on a **home charger** or **public charge points,** however the value of this discount can vary.

**None** of the tariffs can be used with a **prepayment meter** and few allow for payment methods other than **monthly direct debit.**

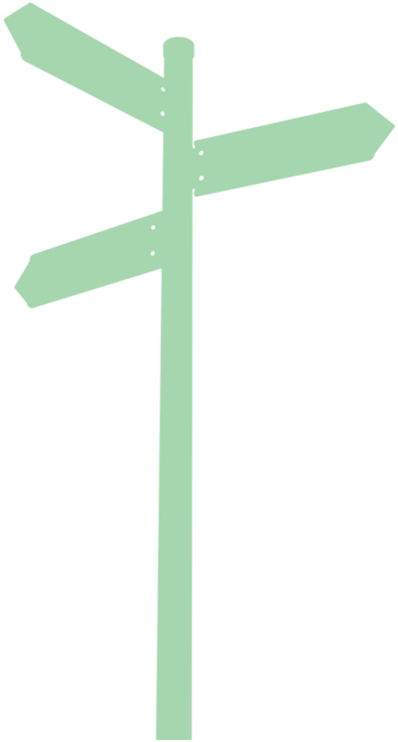
On average it's cheaper for EV owners to have an **Economy 7 (E7) tariff,** which lets them pay less for electricity at night.

There are **smart time of use tariffs (SToU)** for EV drivers, but it's difficult to estimate annual costs and compare them to single rate and E7 tariffs because of the absence of smart comparison tools.

An EV tariff is **not necessarily the cheapest** option for drivers, especially for tariffs where the price is the same throughout the day (i.e. a single rate tariff).

Comparing EV tariffs is difficult because they are rarely on **price comparison websites** and the **'extras'** which are part of the tariff bundles can be of **different value** to each customer.

# Heat - what issues have we seen?



- Billing including back billing, estimated or inaccurate bills and debt or outstanding liability collection processes.
- Pricing including excessive costs, standing charges, admin charges, landlord or tenant responsibility and increasing bills.
- Contracts (switching).
- Maintenance (interruptions/reliability).

# Data - what consumers say

- Transparency - want to know who's accessing our data and why
- Control - want to be able to choose who accesses our data and how they use it
- Keep it simple and accessible "Help us get on with the rest of our lives (OPS manifesto)
- Amendable - want to be able to correct or update information
- Using a service doesn't always imply comfort with it - significant sens of unease in many cases
- Increasingly aware that their data has a value, not convinced that they see much of it
- Don't trust Ts & Cs "They know I won't read it or understand it if I do" (Smart and Clear)

# Data - what this means for energy

- Consumers care about their data and their privacy and need advocates to help ensure they have it
- Consumers want many (though not all) of the new services that their data enables or catalyses
- There exists an asymmetry of both understanding and power between providers and consumers of data-derived services
- Trust is key - current methods (e.g. notice and consent model) not fit for purpose

# Let's have flexibility that works for consumers

Many transformative energy products and services are coming:

- Build products and services that consumers want, and fit in the pattern of their lives.
- Consumers aren't homogenous and vulnerability is important.
- Let's get the market basics right: Billing, information, comparison, complaints, redress.
- It's consumers' data.

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6th February 2019