

Citizens Advice Draft Work Plan 2019/20

Energy UK Response

8 February 2019

Introduction

Energy UK is the trade association for the GB energy industry with a membership of over 100 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership covers over 90% of both UK power generation and the energy supply market for UK homes. We represent the diverse nature of the UK's energy industry – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 27 million homes and every business in Britain. Over 680,000 people in every corner of the country rely on the sector for their jobs, with many of our members providing long-term employment as well as quality apprenticeships and training for those starting their careers. The energy industry invests over £12.5bn annually, delivers around £84bn in economic activity through its supply chain and interaction with other sectors, and pays £6bn in tax to HMT.

This is a high-level industry view; Energy UK's members may hold different views on particular aspects of the consultation. We would be happy to discuss any of the points made in further detail with Citizens Advice or any other interested party if this is considered to be beneficial.

Executive Summary

Energy UK welcomes the opportunity to respond to the Citizens Advice consumer work plan for the year ahead. Citizens Advice has a vital role to play in supporting efforts across the industry to further improve customer engagement and ensure a well-functioning market.

The voice of consumers needs to be represented accurately and clearly at a time of significant regulatory change. It is, therefore, imperative that the positions advocated by Citizens Advice are consistently based on insight from robust consumer research. Energy UK believes that Citizens Advice adds the greatest value to policy debates when there is a tight connection between the position it is advocating and the consumer research underpinning it.

Energy UK recognises that Citizens Advice has a role to play in holding suppliers to account and highlighting areas of concern in public debates. However, Citizens Advice has an equally important role in holding Ofgem to account for its decisions and policy development. With a number of large and crucial workstreams currently underway at Ofgem, such as on future supply market arrangements or its review of supplier licensing, Citizens Advice must continue to ensure that it provides Ofgem with robust criticism and evidence to best protect consumers.

At this time of transition, Energy UK believes that Citizens Advice should ensure that within its work it retains a particular focus on the future consumer - not just the present - and the value that they receive from the energy system as a whole.

1.2 Help consumers switch energy supplier

Energy UK notes the importance of data privacy considerations to the provision of consumption of tariff information to help consumers choose the best deal. It is positive to read that Citizens Advice will work with Ofgem to carefully consider these considerations, including how the correct consents will be obtained, stored and updated regularly.

Citizens Advice should ensure that it addresses the evolving means by which consumers engage with their energy. As a particular example, Energy UK believes that the risks posed to consumers by auto-switching services could be higher than traditional price comparison websites (PCWs). With traditional PCWs, the consumer reviews the options and makes the decision, whereas the consumer delegates this agency to auto-switching services. We encourage Citizens Advice to review the behaviour of auto-switching services, to ensure that the service they provide is transparent to customers and they do what they say they do.

1.3 Keep the smart meter roll-out focused on consumers

Energy UK is supportive of Citizens Advice's focus on the smart experience and the research it is planning in this area is welcomed as it will help provide feedback useful for identifying best practice, as well as identifying key trends, performance and give early sight of any problems that customers may be experiencing. Following the recent focus from the NAO and BEIS select cttee it is clear that it is an appropriate point in time to consider the overall experience customers are seeing. Whilst we support the use of data obtained to identify systemic issues, in reality what we need to see is more collaborative working between Citizens Advice and Energy UK (and other relevant representative bodies) before it gets to the stage of escalation to BEIS/Ofgem i.e. earlier insight into potential issues. It will, therefore, be important that any research findings and insights are openly shared with the industry to help improve consumer experience, supplier practice and overall smart meter take-up.

Energy UK welcomes Citizens Advice's support around DCC costs and notes its role in ensuring the rollout is cost effective for customers. Energy UK notes the upcoming review of the smart programme impact assessment that will be conducted by BEIS this year. Energy UK will be looking for Citizens Advice's support on its work looking into improving the process in which DCC incurs costs.

3.1 An energy market that meets the needs of vulnerable consumers

Energy UK agrees on the need for consultation on the right approach prior to publishing new information that will assess energy suppliers' performance, focusing on affordability and accessibility, two areas we recognise as being of particular importance to vulnerable customers.

Energy UK welcomes Citizens Advice's research and recognise that supplier performance is not consistent across the industry. As Citizens Advice have noted, the Independent Commission for Customers in Vulnerable Circumstances is due to report in early 2019 and Energy UK will be building its recommendations or industry into a new Vulnerability Charter. We would welcome the opportunity to work collaboratively with Citizens Advice to ensure that the Commission's recommendations for the Government or Ofgem are actioned.

With reference to the new tool being investigated, Energy UK are supportive of any work in this area which would enable easier sign up to all relevant cross-sector Priority Service Register's. This can only have benefits for vulnerable customers if a way to achieve this can be found.

3.2 Warmer homes: improve household energy efficiency

Energy UK agrees that this will be a crucial year in the development of the Energy Company Obligation (ECO) and any potential replacement policy. We would, therefore, urge Citizens Advice to ensure that the scope of its work on ECO includes addressing the regressive nature of funding supplier obligations and current exemptions. This has the potential to become increasingly pronounced if a growing proportion of the market switches to non-obligated suppliers who remain under any threshold. In the longer-term, there may be benefits to Citizens Advice working with Energy UK and others in examining a more cost-effective means of funding and delivering energy efficiency and social policies that do not risk inhibiting innovation in the sector or have regressive impacts upon consumers. As part of this work,

Energy UK would welcome Citizens Advice considering the energy efficiency landscape holistically and working with industry and the Government to ensure that the best options are explored and developed.

3.3 Ensure support systems work effectively for vulnerable groups

Energy support Citizens Advice's work promoting energy efficiency and welcome any insight that can be gained on customer attitudes which may help wider industry engagement efforts with customers in this area. We look forward to seeing your redesigned Big Energy Saving Network and Energy Best Deal programmes as we appreciate that they have positive outcomes for those customers Citizens Advice support.

Energy UK believes that to achieve better outcomes it is important that the public understand what consent allows companies to do and, therefore, have confidence in providing consent which will enable them to recognise the benefits of the PSR.

4.1 Ensure future energy markets meet consumers' needs

Energy UK welcomes the activities that Citizens Advice has outlined in its draft work plan, particularly on the role and regulation of third-party intermediaries and evolving business models. Through our Future of Energy report, which is due for publication in 2019, we have highlighted the need for the regulatory regime to be adaptive to evolving consumer expectations and engagement routes.

We note that in its response to Ofgem's consultation on a recent Last Resort Supplier Payment claim, Citizens Advice raised the point that through the Supplier of Last Resort (SoLR) process Ofgem must consider the impact and costs upon all customers and not just narrowly those of the failed supplier. Energy UK believes that this issue should be addressed fully in Citizens Advice wider work relating to Ofgem's Supplier Licensing Review. Citizens Advice should undertake work to highlight the growing cost to customers of the SoLR process and consequential mutualisation, engaging with Ofgem and industry to improve the process for the benefit of all customers and market participants.

Energy UK would also urge Citizens Advice to ensure through its advocacy work it emphasises to Ofgem that stricter market entry requirements and ongoing requirements should be a priority, particularly in light of the growing frequency of SoLR events in recent months.

4.3 Investigate firms' use of consumer data

Energy UK notes the importance of building and maintaining customers' support, confidence and willingness to share their data, and providing assurance that data collection and management will ultimately be used for customers' own benefit. Energy UK believes that more could be done to encourage consumers to utilise the data that is available to them. Citizens Advice should be championing the use of data, not just on an individual consumer basis, but pushing for industry systems and processes to be allowed access to an appropriate level of consumer data so that all consumers can benefit from systems-wide improvements.

If you would like to discuss the above or any other related matters, please contact me directly on 020 7747 2931 or at steve.kirkwood@energy-uk.org.uk.