

CASE STUDY: CITIZENS ADVICE SMART CONSUMER PROTECTION



“*Designing smarter consumer protection for a smarter energy world.*”

Introduction

Smart energy – where digital controls and sensors help tailor energy provision for each specific household – has the potential to revolutionise how people buy energy and interact with suppliers.

Citizens Advice is taking a long-term view of energy system transformation, looking at consumer protection requirements as smart energy products and services change the market.

Energy Systems Catapult provided consumer insight expertise and resources to help Citizens Advice understand the risks and opportunities involved in smart energy – and how consumer protection needs to evolve.

The challenge

Understanding how smart energy affects consumers:

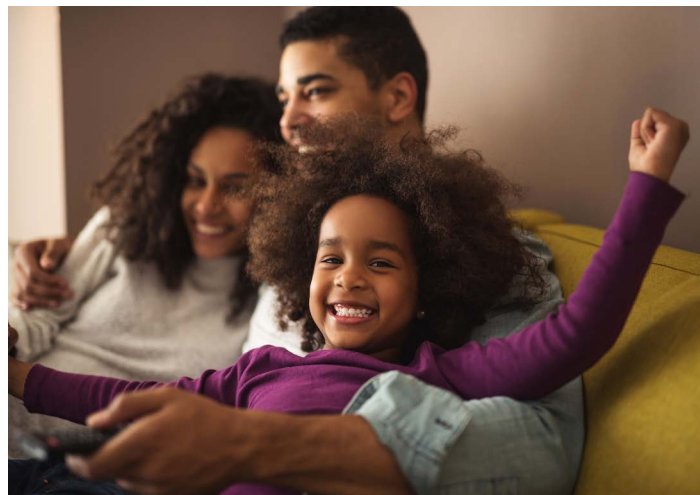
UK consumers are comfortable with new product and service models in many areas – for example, streaming films and music instead of buying DVDs and CDs. However, smart domestic energy isn't widely available, so consumers aren't very familiar with it. For example, companies are looking at “heat as a service” business models that give consumers more control over their consumption and costs.

There's the potential for consumer confusion about what smart energy is, the benefits and how to compare providers.

Citizens Advice wanted to understand what protection consumers need for the rapidly changing future energy market, and how this differs from the status quo, so it can effectively champion their consumer rights.

Why Energy Systems Catapult?

Energy Systems Catapult is a pioneer in energy-related consumer insight. Our dedicated team has distilled lessons from over 670 academic publications on energy behaviour, thermal comfort and decision science, and our expertise and assets help stakeholders research, design and test solutions in the real world. Citizens Advice partnered with us to analyse consumer risks around smart energy to inform its policy approach in this emerging area.



Our approach

Analysing the smart energy consumer experience:

The Catapult started by defining smart energy consumer journeys from awareness, product selection and purchase through to installation, use and upgrading. Then we looked at this journey for four personas – a retired, technologically confident homeowner; a family with a young child; an elderly man living alone; and a young renter. The analysis drew on consumer insight, user experience, policy, retail energy and future energy market specialists from the Catapult and Citizens Advice.

Over six weeks of workshops, desk research and stakeholder interviews, we identified 10 potential consumer risks from smart energy:

- Consumers might not understand what they're buying
- Consumers might not be able to compare different offers
- Consumers might not understand the service they're being offered
- Consumers might not realise what data they're sharing or how their data is used
- Consumers might not know who's responsible for addressing their problems
- Consumers might not know what to do if they're not getting the level of service they expected
- Some aspects of consumer choice may be limited because of safety and security mechanisms
- Consumers might not feel in control
- Consumers might not be able to leave a contract without facing unreasonable barriers
- Higher volumes of consumer data may change provider responsibilities

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Consumer trial of smart energy policies and contracts:

Having homed in on these 10 risks, we helped Citizens Advice research the first four to understand more specific implications for consumer protection as these were identified as some of the most important and urgent at the moment. These risks are higher at the outset, before new conventions form about how smart energy products and services work. This used our Living Lab, where we trial new energy services with 100 households across England and Wales over two winters.

We studied how participants responded to the introduction of the key contract terms and conditions of a new energy service (what they were buying, how long for, how they could change it and how they thought their data was used). We also conducted in-depth interviews with 15 participants who were offered a smart energy service called a “heat plan”, which offers:

- “warm hours” instead of kWh,
- room-by-room, hour-by-hour temperature control
- a fixed monthly cost, specific to their home and lifestyle.

We then did further research with the five participants who chose to switch to the heat plan. The analysis looked at their understanding of what they bought, what their bills would be, how prices were calculated and how their data was used.

The outcomes

Three main themes emerged from the work – control, understanding and support when things go wrong. Key findings included:

- The transition from kilowatt hours to ‘warm hours’ was difficult for some, especially when they had to compare prices with traditional models;
- Some people did not fully understand the details of the energy offer before they had experienced it and there was evidence that problems may only emerge as the service is used over time;
- Within the trial, consumers were comfortable with sharing their data but when probed did not know who accessed their data, how often and how to change their data sharing preferences;
- Consumers did not always know who would have been responsible if something went wrong.

The impact

An evidence base for developing smart energy consumer protection: The research is now informing Citizens Advice’s approach to consumer protection so it can effectively advocate for consumers as smart energy evolves.

The research is part of a selection of work the Catapult is doing on smarter consumer protection. Most recently, the Catapult has been working with consortiums designing smart local energy systems so that they can design innovation that includes consumer protection from the outset. The Catapult is developing tools for innovators to use to map out the consumer protection risks and identify how to address them.

By flagging specific risks and helping stakeholders understand consumer attitudes, it’s also contributing to industry and policy debates about how smart energy can meet actual customer needs. As a result, stakeholders are better able to shape smart energy offerings so it’s easy for customers to understand what they’re buying, what value they get, how their data is used and how providers are accountable.

About Citizens Advice

Citizens Advice is the statutory consumer advocate for energy. It provides supplier performance information to consumers and policy analysis to decision makers – and delivers free, independent advice to more than 2.6 million people a year.

About Energy Systems Catapult

Energy Systems Catapult was set up to accelerate the transformation of the UK’s energy system and ensure UK businesses and consumers capture the opportunities of clean growth. The Catapult is an independent, not-for-profit centre of excellence that bridges the gap between industry, government, academia and research. We take a whole systems view of the energy sector, helping us to identify and address innovation priorities and market barriers, in order to decarbonise the energy system at the lowest cost.

