Thinks
Insight & Strategy

ofgem

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Ofgem – Future of Energy Pricing

Deliberative research with domestic consumers: Report of findings

Contents

1. Executive summary

As Great Britain transitions away from fossil fuels, we will need to invest in infrastructure to support this change. There are several costs associated with this that may change the nature of system costs and the make-up of consumers' bills, such as the balance between fixed and variable charges.

Fixed charges are those that consumers pay that are separate to their energy use costs and are incurred regardless of how much energy consumers use. They cover the costs of things like system maintenance and investments. Variable costs then typically cover the cost of energy and vary with how much energy a consumer uses. The balance between these costs on a consumers energy bill has changed as the system costs themselves have changed, meaning there has been increasing focus on the fairness of these charges. As the nature of the energy system and its charges change this introduces questions around how the billing structure keeps pace with these system changes. Ofgem is interested in exploring consumer views on the complex trades offs this produces.

Ofgem has multiple consumer-focused work streams focused on building its understanding of consumer preferences to allow it to assess options for a fairer, more efficient and simpler way of recovering those costs.

To help inform Ofgem's ongoing work considering the future of energy pricing, Thinks Insight & Strategy were commissioned to conduct deliberative research to understand **how consumers view various trade-offs in this complex regulatory area.** We engaged 54 domestic energy consumers, with fieldwork taking place between February-March 2025, in a two-stage deliberative process.

The objectives of this research were to:

- Understand domestic consumers' **awareness, understanding and perceptions** of energy costs and charges[1]
- Understand **what informs existing perceptions** and attitudes to energy costs and pricing, and the energy system more generally.
- Understand what factors are important to consumers when thinking about pricing in the energy system
- Unpick how consumers think **about issues and trade-offs** in this space.

Key Findings

Participants started from a position of limited awareness and understanding of energy pricing. Few reported understanding what each

[1] 'Costs' are the full range of energy system costs (both fixed and variable) which are recovered through consumer bills via 'charging'. Fixed costs refer to system costs which do not vary by energy use, whereas variable costs do vary with energy usage. Consumer bills comprise for broad categories of cost: wholesale energy costs, network costs, supplier operating costs and policy costs.

part of the bill means, with limited understanding of how unit prices worked or what standing charges were.

- **Prior to this engagement, only a small number of participants were actively engaging with their bills and the wider energy system.** Few described actively reading their energy bills, with most simply looking over it each month to check it is broadly correct, without reading it in close detail. Similarly, very few, if any, had previously thought about energy pricing and what the different costs and charges relate to prior to taking part in this research. Most participants had limited knowledge of how energy pricing currently works and had not previously considered where the money on their bill goes, or how these costs are made up.

Participants felt affordability, especially for vulnerable consumers, was the most important factor when considering the energy pricing system.

- **Affordability was the number one priority for participants in considering the future of energy pricing.** Due to a perception that current energy bills are too expensive, and that energy companies are making 'record breaking profits', participants felt that the current energy market is both unaffordable and unfair for consumers. Participants wanted any future energy pricing system to address affordability as a priority. They felt that a system that produces unaffordable bills, even if it delivered against other areas (e.g., net zero, consumer protection, etc), would not be acceptable to them.
- **Participants consistently and spontaneously expressed concerns about the impact of energy bills on vulnerable consumers and wanted action taken to protect them.** However, they did not instinctively see energy pricing as a way to deliver this. Participants did not feel that changing the energy pricing system to provide more support to vulnerable customers would appropriately address the detriment these consumers currently face as a result of high bills. Participants were more likely to suggest government support as a suitable mechanism for offering protection for vulnerable consumers, though knowledge of existing government support was low.

Beyond energy prices being more affordable, consumers felt that simplifying the energy pricing system and ensuring investment in innovation were important.

- **Participants favoured a simpler, more predictable energy system over a system that gave consumers more control over how they were charged and greater variability of costs,** when asked to trade-off complexity vs. simplicity. This was primarily due to concerns that a more complex, pricing structure (and system), where consumers have more responsibility for engaging with the energy system and finding the

best deals for themselves would disadvantage both 'ordinary' and vulnerable consumers (who would struggle to benefit from this system due to limited ability to engage and be likely to end up on the 'wrong' tariffs) at the expense of a small cohort of highly engaged consumers who would stand to benefit from greater consumer control.

- **Participants were enthusiastic about the prospect of investing in innovation if it was to lead to lower costs of energy bills in the future – but low levels of trust in the sector mean reassurances are needed**. Participants were positive about the idea that innovation may lead to benefits for consumers, such as creating more homegrown energy sources, creating greater energy resilience or through developing consumer-facing technologies - all of which were felt to result in cheaper bills. However, there were also significant concerns about the impact on short-term affordability and whether infrastructure would be built on time and within budget. To increase buy-in, they wanted reassurances that projects would be completed on time, to budget, and result in real benefits for consumers.

Despite a desire for consumer protection, simpler and more predictable energy prices and innovation, all of these factors were ultimately traded off against affordability. Participants felt that if the energy pricing system does not deliver affordable prices for 'non-vulnerable' consumers then it is not fit for purpose.

- **Participants indicated a (theoretical) willingness to pay more to address areas of perceived unfairness in the allocation of costs between consumers**. Most participants said they were willing, in principle, to see their bills rise to cross-subsidise vulnerable consumers' bills and reduce/remove regional pricing.
- **However, theoretical willingness to pay more was contingent on the overall impact on consumers' bills.** As affordability was the most important factor overall, participants held strong views that changes to the way costs are allocated (i.e., if prices go up in order to fund support for vulnerable consumers) should not mean that bills become 'unaffordable' for other energy consumers (i.e. those not deemed vulnerable).

2. Background and objectives

To inform Ofgem's ongoing work on system costs and pricing, it commissioned deliberative research from Thinks Insight & Strategy research agency to understand **how consumers approach and view the trade-offs in this complex area.**

The specific objectives for this research were to:

1. Understand consumers' **awareness, understanding and perceptions** of different costs and charges
2. Understand **what informs existing perceptions** and attitudes
3. Understand what **factors are important** to consumers when thinking about pricing in the energy system
4. Unpick how consumers think **about issues and trade-offs** in this space.

Whilst the objectives related to exploring participants' views of the future of the energy pricing system, there was low awareness of energy pricing among participants. This meant that many were drawing more broadly on their thoughts about the future of the energy system and broader energy transition. These thoughts informed their views of the future energy pricing system more specifically.

3. Methodology

3.1. Who was involved

A total of 54 members of the general public participated in the study, recruited equally from three locations across Great Britain: Glasgow, Cardiff, and London.

The sample of research participants for this study was designed to reflect the broader GB population. Participants were broadly representative of the general population based on key demographic criteria (such as age, gender, income level). Quotas were implemented to ensure diversity in terms of key demographics, energy payment methods, tariff types, suppliers, financial and vulnerability status. It also included individuals with varying levels of digital engagement.

A detailed breakdown of participant characteristics can be found in Appendix A.

3.2. What happened

We undertook a two-stage deliberative approach.

What is deliberative research?

Deliberative research is an established method of generating in-depth insight to inform decision-making. It is a technique that helps to enable productive conversations on complicated or uncertain subjects.

In deliberative approaches, participants learn about a topic that they might know little about or may not typically think about in much depth in their day-to-day lives. By engaging with information, evidence and expert opinion, members of the general public are enabled to engage on complex topics that cannot be suitably covered in traditional research (such as focus groups or surveys).

Deliberative approaches seek to understand the public's values and explore how they make difficult trade-offs, after weighing up different evidence and information.

Deliberative research was chosen to gain informed opinions about future pricing considerations, as the topic of energy pricing and its associated future trade-offs is complex and requires a more detailed understanding of the topic than would by typical from the general public.

Stage one: Online activity began with a one-week online pre-engagement activity, conducted on Thinks' online platform, Recollective. Activities were set for participants to complete via the platform, to capture participants initial understanding of, and thoughts relating to, their energy usage and where the

money they pay via their energy bills goes. A breakdown of pre-engagement activities alongside the aim of each can be seen below.

Figure 1: Pre-engagement activities completed by participants

Activity	Aim
1. Getting to know you and your thoughts about energy	To establish connection with and learn more about participants
2. Your energy use	To begin discussion about energy and to identify engagement with the energy market
3. Your energy bills	To explore participants' energy bills
4. Finding information about your energy bills	To understand experiences of seeking help and support with bills
5. Understanding the different components of your bills	To understand how much participants know about where the money they pay via their bills goes
6. Learning more about energy pricing	To provide initial context to conversations that will take place in the workshops

Stage two: Deliberative research. After completing the six pre-engagement activities, participants took part in one 6 hour in-person deliberative workshop in their local area. Participants engaged in the research for a total of 8 hours (including 2 hours of engagement through the online community, and 6 hours of in-person deliberation).

Facilitators from Thinks Insight & Strategy led the workshops and group discussions with participants. Facilitators supported participants to deliberate on key topics and questions by sharing information and prompting discussion to understand their views. Stimulus materials were jointly developed by Thinks and Ofgem to be used in the workshops. This included future energy pricing **scenarios** and **pen portraits** of different types of energy consumers. Facilitators referred to this stimulus material throughout the workshop to remind participants of key concepts, questions and trade-offs.

The **scenarios** were designed to intentionally exaggerate specific trade-offs and to encourage participants to think critically about different consumer priorities relating to energy bills. Each one depicted a hypothetical scenario, governed by a core principle. These principles included **control, protection, innovation and simplicity**:

- Scenario 1: a **simple** energy pricing system in which costs are recovered in a way that is easy to understand. This scenario may offer less scope for protection and consumer control.
- Scenario 2: a **protective** energy pricing system scenario in which consumers in vulnerable circumstances are protected from fixed costs in the energy system. This scenario may be less simple/transparent (e.g. cost allocation based on different data points), with less scope for innovation.
- Scenario 3: a scenario in which consumers have greater **control** over their energy costs, which are more predictable. Consumers are expected to take more responsibility for their energy use and tariff choice and so there is less consumer protection in this scenario.
- Scenario 4: an **innovative** energy pricing system in which delivering a more efficient energy system is the priority. Consumers can engage with innovative Time of Use[2] tariffs etc., (please see 'innovation scenario' in Appendix D for further information) but this scenario may not offer as much consumer protection, and those who don't have ability/capacity/funds to engage may lose out and have to pay more.

Four **pen portraits** were developed, each describing a different type of energy consumer, they were designed to reflect demographic and non-demographic characteristics and were used throughout the session to prompt participants to think about types of consumers. This approach was designed to prompt discussion and reflection on the varying needs and challenges faced by consumers other than themselves. They were also designed to enable consideration around how these costs should be recovered, the principles around cost recovery, and trade-offs in that space:

The pen portraits were: -

- **Anna -** a single 42-year-old mum living in London who has a prepayment meter - she pays for her energy and fixed costs up front and loads credit directly on to her meter.
- **Linda -** a 68-year-old living in a council flat in Yorkshire. She lives on a state pension. She has a condition called chronic obstructive pulmonary disease (COPD), which causes damage to her lungs. Linda uses an at-home ventilation machine. This machine has to be plugged in, which uses a lot of energy.
- **Daniel -** a 28-year-old professional working for a tech company. He lives in his own home, which is a new property with a high energy efficiency rating. Daniel has solar panels on his roof to get energy for his home from the sun, and he drives an electric car to work. He goes into his office 5

[2] Time of Use tariffs are energy pricing plans where the price of electricity varies depending on the time of day. There may be lower rates offered for off-peak hours where demand for energy is low, and higher rates during peak hours.

days a week. At the weekend, he is often out of the house. Because of this, Daniel doesn't use much energy at home.

- **Craig -** lives with his partner and their four children, who are between 6 and 13 years old. The children use a lot of energy at home, like watching TV after school. With four children, the washing machine is on a lot. Craig takes care of the energy bills, but he can find it hard to understand the bills.

Full versions of the scenarios and pen portraits used in the workshops can be found in Appendix C and D.

3.3. How to read this report

This report provides an analysis of key themes emerging from the deliberative engagement, and their implications for future energy pricing. It does not follow the same structure as the research (that is, exploring responses to different pieces of information in turn). For example, 'starting point' views expressed by participants in the pre-engagement stage were also expressed throughout the in-person workshops – and often shaped participants' responses to the information shared and topics discussed. Therefore, while participants' responses to the pre-engagement feature more heavily in Chapter 4 (which focuses on their 'starting points'), subsequent chapters also draw on this data alongside that captured in the in-person workshops.

This report is therefore centred on an analysis of participants' priorities for future energy pricing and how they think about key issues and trade-offs within this area. The findings outlined in this report reflect common themes in the views expressed by participants across the sample. However, we have also highlighted where differences of opinion do exist, and where views changed over the course of the deliberation. There were also occasions where participants did not feel they could reach consensus on certain questions or trade-offs, which have been highlighted.

Note on terminology:

*Throughout this report we refer to those who took part in the deliberative engagement as **'participants'.** If reflections and insights can be generalised more widely (e.g. where participants discussed implications for the wider general public), we will refer to 'consumers' or 'the general public'.*

3.4. Limitations of this research

The research methods adopted for this project were selected to deliver exploratory and detailed research findings in order to support Ofgem's decision-making on a complex issue. However, as with any research, this project faced a number of limitations in its approach. Some of these are noted below.

Thinks Insight & Strategy worked collaboratively with Ofgem to establish quotas for recruitment that would aim to be representative of GB energy consumers, meaning emphasis was given to representing different energy payment methods, tariff types, suppliers, and vulnerability status. As qualitative workshops took place in typical work hours, this meant final participation was weighted more heavily on certain demographics, such as those not currently in work (due to retirement or unemployment).

As noted throughout this report, discussions with participants about the future of energy pricing were largely hypothetical, as the objective for this research was to understand how people respond to the principles on the table for consideration. For example, participants were not provided with real price implications in order to help inform their views. This meant participants had no practical measure for how much bills could potentially vary, or the real timeframes that price changes would take place over. In this context, many of the trade-offs explored in this report are largely contingent on hearing more about the specific price implications.

4. Participants' starting points and implications for their views on energy pricing

Participants began the engagement process by taking part in a week-long pre-engagement activity, conducted on an online platform, with individual activities allowing us to capture each participant's 'starting point' when thinking about topics related to energy pricing. The face-to-face workshops then allowed us to explore these views and starting points in a group, social setting, providing further depth.

This section outlines the key contextual factors that:

- *Informed participants' responses to the later, more detailed policy questions in relation to energy pricing*
- *Provide insight into how the broader public are likely to approach the issue of energy pricing, without the benefit of the further information that our participants were prompted with.*

During the online community participants had the following information shared with them:

- ***Two videos about how energy pricing works:*** *These covered how energy pricing works and what each part of an energy bill means.*

Summary of findings in this section:

- **Participants started from a position of limited awareness and understanding of energy pricing.** Few reported understanding what each part of the bill means, with limited understanding of how unit prices worked or what standing charges were.
- **Prior to this engagement, only a small number of participants were actively engaging with their bills and the wider energy system.** Few described actively reading their energy bills, with most simply looking over it each month to check it is broadly correct, without reading it in close detail.
- **Very few, if any, had previously thought about energy pricing** and what the different costs and charges on their bill relate to prior to taking part in this research.

Please note when reading this section that the findings here represent participants' starting points when thinking about energy pricing, rather than the final views they came to.

4.1. The majority of participants had low levels of engagement with their own energy bills and the energy market overall

Engagement with the energy sector was low, with most feeling that the only interaction they have with the sector is through receiving their energy bills.

During the pre-engagement tasks, participants reported thinking about their energy use on a daily or weekly basis. However, most participants, particularly those that pay their energy bills via direct debit, said they rarely check their bills or engage with their supplier. A small number of participants even mentioned checking their bank balance, rather than their bill, to check what they have paid. As such, 'thinking about energy use' appeared to relate more to consumption (i.e. switching lights off, or having the heating on), rather than directly engaging more broadly.

"My energy bill is on direct debit, so we don't give much notice to energy bill. Our focus is on bank balance as we make sure there is enough money for all the bills."

Participant, Cardiff, Online pre-engagement activity

On the other hand, participants that mention having a strict budget, and those that provide regular meter readings to their energy supplier report engaging with their energy bill more frequently. For these participants, a sense of 'feeling in control' of their energy use drives their engagement.

"I provide an online meter reading on the 1st of each month for electric, and on the 13th of each month for gas. This is my choice to do this and arranged by myself with each company that they then provide an online bill based on the meter readings that I have provided to them. I therefore get a bill every month from each company. I then pay the bill online when I want to do this. This system works for me and I am in total control."

Participant, London, Online pre-engagement activity

Reasons for not engaging with energy bills include feeling overwhelmed, not fully understanding the content, and only being interested in the final figure that they owe.

"Not really that fussed on the information on there, other than the amount due."

Participant, Cardiff, Online pre-engagement activity

During the pre-engagement activities, when asked whether participants discuss energy with others, the majority reported that they often talk about energy with friends or family. These conversations tend to include the price they pay and the general cost of energy. Participants who do not talk about energy with other people cite embarrassment over budget concerns, worry regarding energy prices, lack of interest in the topic and a desire for privacy as the main reasons.

"Embarrassment of our frugal usage and constant stress over costs."

Participant, London, Online pre-engagement activity

In the deliberative sessions, it was clear that there were a small number of participants that reported being highly engaged (referencing shopping around for the best deals and/or showing energy usage and costs on their supplier app within the workshops). These participants were often keen to express the benefits of being engaged to other participants.

However, the majority of participants tended to be relatively disengaged. The claimed reasons for this disengagement were the beliefs that:

- There is little benefit to 'shopping around'
  - When probed this appeared to be driven, in part, by the perception that there is little price difference between different energy suppliers.
- The market is complicated and would take too long for 'someone like me' to understand
  - This belief was not shifted by hearing from the more engaged participants in our sample.

Most participants had low awareness of these benefits of engaging in the energy market and were unaware of different types of tariffs (e.g. Time of Use). As a result, throughout the deliberative sessions many participants were calling for practices or interventions that may already exist and be offered by energy suppliers. However, when describing these ideas, many felt that it was unlikely that suppliers would offer this, speaking to the significant level of scepticism and low trust in the sector.

"I mean I'm an educated person. I've got two degrees and I can't understand my gas bill."

Participant, Cardiff, Workshop

Some participants suggested wanting more information on their bill, such as how costs are broken down (specifically relating to how much profit is made), how costs are allocated in the energy pricing system, and in a simplified manner. However, these same participants often also reported not paying much attention to their bill and were therefore unaware if this information was already on there and cited limited interest in actively seeking out more information.

Implications:

- The perceived complexity of the energy market and the sense that many consumers 'lose out' because of this and means there is spontaneous and intuitive support for simplifying the energy pricing system.
    - *However, at this stage it is worth noting that there was no sense that doing so could impact consumers' bills.*
- *Whilst bills are a key touchpoint with consumers, there is low engagement with the detail of bills. Low engagement with bills is due to a perceived lack of benefit of engaging and perceived complexity of the market. This means that there may be limited efficacy of using them as a core communications channel (especially with lower engagement consumers).*
- *Despite this low engagement, some participants suggested there would be benefits in having more information on bills presented in an accessible way.*

4.2. Participants have very low spontaneous understanding of energy pricing mechanisms

Most participants approached this research with little to no pre-existing knowledge of the topic of energy pricing. In the context of having little knowledge, energy pricing refers to the way in which fixed costs in the energy system (including covering the costs of maintenance, investments and government projects) are recovered and allocated.

Participants had limited knowledge of how energy pricing currently works and hadn't previously considered where the money on their bill goes, or how these costs are made up. Although there was some spontaneous claimed knowledge of how the energy pricing system works, further deliberation showed that much of this knowledge appeared to be surface level, rather than detailed or in-depth understanding. For example, whilst some participants expressed some familiarity with energy pricing related terms in the pre-engagement (such as the energy price cap, the standing charge and the unit rate), these participants tended to

say these were terms they recognised rather than having a thorough understanding of them.

"I guess I understand to some degree, for example with electric you have your standing charge then your price per unit charge."

Participant, London, Online pre-engagement activity

"I don't really fully understand why I am charged the amount stated but just know that I do have to pay for energy and accept that this is what it is."

Participant, Glasgow, Online pre-engagement activity

Participants were asked to watch a short video as part of the pre-engagement exercise, which provided information about the energy pricing system. This included an explainer of what component parts make up a bill, where money in the system goes, and how decisions are made about energy pricing. Participants found some of the information about the system intuitive, namely what the costs in bills contribute towards. Participants thought it made sense that costs would contribute towards things like maintenance of infrastructure and delivering customer service.

None of the fixed costs associated with the energy market were seen as shocking or surprising once participants had considered what the costs associated with providing energy to consumers might be. The sole exception to this was the information that government policies[3] represent an element of the fixed costs associated with energy, with many assuming these kinds of policies would be paid for through tax, rather than energy bills.

"We pay for the pipes, we pay for the electricity… I just thought we paid for the electricity we were getting. I knew we paid a standing charge, I knew that, but I didn't realise we paid for [policies] as well, I didn't know who did, but it didn't really cross my mind."

Participant, Cardiff, Workshop

Many participants were particularly surprised to hear that energy bills contribute towards subsidies for vulnerable consumers. Many felt that this should not come from consumers' bills, and that other routes should be found to fund these

[3] Participants were informed about the broad components that make up their bill and the types of policies that are included in social and environmental levies (e.g. 'programmes to support vulnerable consumers'; 'programmes to fund the rollout of renewables'). In practice, these policy costs fund schemes such as the Energy Company Obligation, Feed-in Tariff, Renewables Obligation etc.

initiatives. A further exploration of these views can be found in Chapters 6 and 7.

"I did not think of policy costs and vulnerable care as part of my bills, but it makes sense."

Participant, London, Online pre-engagement activity

"I don't know, it would feel like you're paying twice, really. Because you're paying tax to government and then you feel that when you're paying your electric bill, that you're also paying for the old lady down the road."

Participant, London, Workshop

Aside from the division of costs, many expressed broad confusion around how the energy pricing system works, feeling that it is complex to understand and navigate as a consumer.

Implication:

- *General public perceptions are largely shaped by how expensive (or cheap) energy bills are, rather than detailed (or even superficial) views of the mechanisms by which energy prices are calculated.*

4.3. Many participants say they are struggling with the affordability of their bills

Participants reported struggling both with the overall cost of living and with their energy bills specifically. There was a strong and spontaneously raised desire for energy bills to become more affordable. Some participants described affordability as an energy bill low enough that they don't have to worry about it or factor it significantly into their budgeting.

"It's not just energy cost, its shopping, petrol, everything, do I put money into shopping, do I turn my gas and electricity off?"

Participant, Glasgow, Workshop

"No matter what you're doing, you're getting fleeced."

Participant, Glasgow, Workshop

During the pre-engagement activities, a small number of participants reported struggling to pay their bills and having received an unexpectedly high bill over the last year. A small number of participants also reported setting up payment plans to help them pay off the debt they owed to their energy supplier.

"This year our monthly amount [went up to] £350, it was £120. We agreed to pay £250."

Participant, London, Online pre-engagement activity

Participants in all locations spontaneously raised the point that consumers should be protected from high energy prices, particularly when they had some kind of vulnerability (e.g., unemployment, pensioners, long-term illness). Though participants did not tend to think this protection should necessarily come from energy companies.

"As a society… [we] don't want to see anybody going without electricity or heating."

Participant, Glasgow, Workshop

Implications:

- *Affordability is a 'hygiene factor' for consumers when thinking about energy pricing. Without ensuring energy is affordable, consumers will feel inherently dissatisfied with their energy suppliers and the wider energy system.*
- *There is a strong and spontaneously raised desire for support to protect all vulnerable consumers from high energy prices.*
- *However, it is important to note that spontaneous assumptions about what form this support would take tended to focus on government interventions rather than support from the energy companies, though there was low awareness of what government support already exists.*

4.4. There is a widespread belief that the current energy pricing system is unfair and biased towards the interests of energy companies rather than consumers

There is a widespread and strongly held belief that energy companies have benefited significantly in recent years, primarily 'off the back of' rising energy bills. This is due to widespread awareness of news stories, reporting energy

companies making 'record' profits and around senior executive salaries and bonuses and low consumer understanding of the difference between retail and wholesale energy suppliers.

"A small amount is used for the energy the rest probably goes towards the huge profits that the energy companies make."

Participant, Cardiff, Online pre-engagement activity

"There's so much money getting taken out of the industry and put into shareholders pockets. If that wasn't part of it, we could pay for the innovation and protection and still have leftover. So, I think taking the profit-making out, we'd answer all these problems."

Participant, Glasgow, Workshop

Some participants felt that more transparency around what their money was going towards might help with these feelings of unfairness. There was some acknowledgement that energy companies have to make some profit to survive as a business, but the underlying feeling that these profits were excessive made participants feel cheated. Some participants felt if there was greater transparency in how much of the energy bills went towards profits, and this amount was deemed acceptable (e.g. if more went towards government initiatives and maintenance than profits), consumers might feel slightly less negative towards companies.

"For me personally I am not fully aware of how bonuses are worked out for people at the top of these energy corporations, it sounds like there's a lot more going towards those costs, would be good to have a better understanding around how profits are managed and if there are areas to save money that way."

Participant, London, Workshop

"Transparency, a) on where the money is going [and] what they are doing with it, b) what meaningful change is being made internally, what efficiencies they are making."

Participant, London, Workshop

Implications:

- *One of the key forms of 'unfairness' that participants spontaneously see in relation to energy pricing is primarily between consumers and companies.*
- *This informs later discussions around the recovery and allocation of costs, with a strong suspicion that energy companies are not 'paying their share' when it comes to supporting consumers or contributing to wider consumer benefits (e.g. better infrastructure, lower costs or better service) leading to some cynicism.*[4]

4.5. There is scepticism about the ability of the UK Government and GB energy market to deliver infrastructure projects on time and within budget

There is widespread awareness of a range of large infrastructure projects within the UK which have been delivered behind schedule and over-budget. Key examples cited by participants typically sit outside of the energy market (e.g. HS2 and Crossrail) but feed into broader scepticism about the likelihood that infrastructure projects in any sector (including energy) will be delivered within the promised timescales and budgets.

"These projects have a long timeframe as well... the reality is you're going to pay this over a long time, and you're trusting the projects [to deliver] over a long time."

Participant, Cardiff, Workshop

"I like the idea of investing in the system to make it better, but I just don't trust them, if the bills will be high, how high and for how long and how low will they be in the future?"

Participant, London, Workshop

Many participants, when asked about what would alleviate their scepticism suggested key reassurances: iron-clad guarantees from energy providers, Ofgem or the Government about what infrastructure would be built, on what timeline, how and when this would benefit consumers, and the prices consumers would pay on energy bills. This would go some ways to alleviate the lack of trust

[4] At this stage of discussion participants' perception that energy companies were not contributing sufficiently was generalised, rather than focusing on specific areas (this was covered in later sections of the discussion).

consumers feel towards energy companies and would be further emphasised if these guarantees also came with consequences for not meeting them.

"Say there's a proposal saying you'll get all those improvements, what happens if that's not delivered? Are there any penalties? You could be paying all that money for a length of time and might not get anything out of that."

Participant, London, Workshop

Implications:

- *Participants approach discussions around the positive impact of investment in the future energy system with scepticism and the prospect of increased bills to fund investment with apprehension.*
- *For consumers, scepticism may be alleviated with the introduction of guarantees of delivery timelines, and consequences for not meeting these.*

5. Initial views of the key factors that should inform energy pricing

In this section, we outline the key factors that participants discussed that they thought should inform Ofgem's thinking about energy pricing in the future.

At the beginning of the workshop participants had the following information shared with them:

- ***Two videos about how energy pricing works:*** *The same videos were shown in the online community and covered how energy pricing works and what each part of an energy bill means.*

Summary of findings in this section:

Across the deliberative workshops there were a consistent set of factors that were raised as important for Ofgem to consider when thinking about the future of energy pricing. These were (listed in order of strength of feeling):

- **Affordability**, with key sub-themes around ensuring affordability:
  - In the short term
  - In the medium-to-long term
  - For different types of energy consumers, in particular those in vulnerable circumstances
- **Energy company profits**, covering both:
  - The size of profits
  - Ensuring profits are reinvested either into the energy system or into protecting vulnerable consumers
- **Fairness,** for most this meant fairness between consumers and companies in terms of allocation of costs (i.e. being charged a fair price by a company), rather than fairness between different groups of consumers (i.e. demographics or behaviours).
  - Conversations relating to equality of opportunity vs. equality of outcome also emerged, however no consensus was reached on this.
- **Transparency and intelligibility of information**
  - This was both in regard to the clarity of information on energy bills and transparency in terms of how money is being used and what percentage goes to each part (e.g., profits, infrastructure).
- **Strong and visible enforcement of the rules**
  - This was based on the perception that there was weak enforcement of regulation currently.

In addition to these factors, participants were also prompted to think about **predictability** of pricing e.g., the energy price cap and knowing how much they are likely to be charged in any month.

5.1. Affordability

Affordability was typically the most important factor that participants wanted Ofgem to consider when thinking about the future of energy pricing. Consumers feel energy is a 'non-negotiable' necessity and that if energy bills are so high that consumers cannot afford them then the GB energy pricing system must be unfair and/or unfit for purpose as it has resulted in unaffordable prices for consumers.

"When I was growing up, the energy bill wasn't something your parents had to think about, it was affordable."

Participant, Glasgow, Workshop

"The reason energy needs to be affordable is because it's a necessity… We can't be investing so much that it means people can't live. Need to strike the balance."

Participant, Cardiff, Workshop

In the context of perceived high energy bills and many reporting that they are struggling with the cost of all household bills, addressing affordability was the number one priority for participants. It was felt that without first addressing this, all other conversations around the future of the energy pricing system were less relevant.

"Fairness is you give everyone the opportunity to make a choice on what they want to pay and how they want to pay."

Participant, London, Workshop

"This is failure point, I wouldn't think a single parent not [being able to afford] turning on lights at night [is acceptable]."

Participant, Glasgow, Workshop

When presented with pen portraits of different types of consumers at the workshops, participants tended to strongly identify with those consumers with different vulnerable characteristics, such as those experiencing temporary unemployment, those with long-term health conditions and those who lacked the

capacity to engage with the energy market. Many participants could relate to these situations, or could imagine easily ending up in these situations, and therefore perceived themselves as more similar to vulnerable consumers.

Many felt that consumers 'like them' (who they did not necessarily view as stereotypically 'vulnerable') already struggle to pay their bills. Many participants across the workshops held the belief that it is possible to provide bill payment support in some way, and some were informed by policies such as the furlough scheme during the COVID-19 pandemic and the energy price guarantee (although memories of this are weaker than of the furlough scheme).

"The people who need the system running, like the [ventilation] machine, it's not fair for people like that to be paying too high. On the other hand… there's no working towards the system being more efficient and overtime means prices will still remain high and overall is bad for affordability."

Participant, Glasgow, Workshop

However, whilst there is a strong desire for affordability, participants did recognise that there are a number of important trade-offs that need to be considered to achieve this. These include ensuring:

- Sufficient investment into the future energy pricing system so that bills are affordable in the medium-to-long term
- That vulnerable energy consumers can afford their bills.

Participants therefore conceptualised achieving affordability as being a delicate and complex balancing act, where:

- The impact of cost in investing in innovation in current bills are balanced against this impact of cost in the future
- The needs of vulnerable energy consumers are balanced against the needs of non-vulnerable energy consumers.

"So, protection is a short-term goal, innovation is a long-term goal. They're sort of the same thing, because we're protecting ourselves from future."

Participant, Cardiff, Workshop

"That's the only way we will ever come out of this, is through innovation and changing, but morally for me the number one is protecting vulnerable people. But if you are making a choice on logic, on long term you have to have innovation."

Participant, Glasgow, Workshop

"Again, you're trading off. I either help myself now, or I help my 80-year-old self… when I get to 80 things might be even worse."

Participant, London, Workshop

5.2. Energy company profits

In line with the spontaneous belief that energy companies have made 'excessive' profits in recent years, there was a desire for future energy pricing to ensure that energy suppliers' ability to make 'large' profits to be controlled.

Participants felt it was unfair that consumers would be required to pay higher bills in the future, in a scenario where energy companies are recording large profits. Participants feel that in a situation where an energy company makes a profit they should be required to reinvest it, either into the future energy system or into supporting vulnerable energy consumers. As participants did not differentiate between energy suppliers and energy companies throughout conversations, this feeling of unfairness is felt to apply to the energy sector across the board.

" We need more transparency, particularly now when energy companies are making all time profits and getting excessive unit prices and standing charges."

Participant, Cardiff, Workshop

5.3 Fairness

There was a consensus view that Ofgem should create a 'fair' energy pricing system. However, definitions of what fairness meant for energy pricing differed notably between participants and this meant that participants did not reach a settled view of what a 'fair' energy pricing system would look like in practice.

Participants' views of what 'fairness' means in the energy pricing system tended to reflect their underlying, individual values. This meant that participants' views of what 'fairness' would mean in the energy pricing system did not tend to change during the session. These views could be broadly sorted into two overarching camps:

- Those who focused on **equality of opportunity**, ensuring all consumers are treated equally regardless of their individual circumstances, e.g. by ensuring all consumers pay the same price for energy (or have the same ability to access those prices).

- Those who focused on **equality of outcome**, ensuring that all consumers are able to meet their energy needs for a price that is affordable to them – even if this means some consumers pay more to subsidise others or some tariffs are available only to specific types of consumers.

"The people that are more vulnerable shouldn't have to be charged as much, for it to be fairer."

Participant, Glasgow, Workshop

Despite these differing views of what a 'fair' energy pricing system would mean there was a consensus that the current energy pricing system is unfair to consumers and overly generous to energy companies. In particular, it was felt strongly that it is unfair to ask consumers to pay more to support other consumers, in a context where 'ordinary' consumers are struggling to pay their bills, but energy companies are perceived to be taking home 'record breaking profits'. Participants wanted to see a better balance achieved, where energy companies are obligated to reinvest profits to help invest in innovation and support vulnerable consumers, before consumers are asked to contribute more (i.e. paying more in their bills).

"*The only 'if' is what the energy companies are paying... it shouldn't all be put on the consumer."*

Participant, Cardiff, Workshop

"I don't think we want to pay more, we're already paying more!"

Participant, Cardiff, Workshop

"Yeah, take it from the consumers, but also consider taking it from the profits of the company. It should be like, 50% of the company profits are given to help the vulnerable and see how quickly they change the way they operate!"

Participant, London, Workshop

"The company - if there's vulnerable people they should look after them."

Participant, Cardiff, Workshop

In line with the belief that the greatest area of unfairness in relation to energy pricing relates to the perceived imbalance between consumer and energy sector

contributions, there was little spontaneous discussion about unfairness *between* different types of consumers in relation to recovery and allocation of costs.

When there were discussions about the fairness (or otherwise) of price allocation/recovery between different types of consumers, participants' views aligned with their broader values. For example, when thinking about bill support for vulnerable energy consumers:

- Some felt this was fair as it ensured that all consumers would be able to afford their bills, regardless of their personal circumstances.
- Whilst others felt this was unfair as it meant that other consumers would have to 'subsidise' lower bills for others.

"Me, personally, everyone should pay the same thing. That's my personal opinion, it's simple... fixed cost, should be same."

Participant, Cardiff, Workshop

"I think it should be proportional, so you pay a percentage of... in terms of social costs, if I earn £100,000, my burden is the percentage of that I pay, not the amount, if that makes sense. It's a social good, it helps everyone in the long run."

Participant, Cardiff, Workshop

5.4 Transparency and intelligibility of information

Transparency

In line with spontaneous beliefs that the energy market overall, and energy bills specifically, are complex and difficult to understand, there was a widespread appetite for the future energy pricing system to deliver transparency to consumers. Importantly, participants did not think that transparency by itself would be sufficient to deliver any benefit to consumers and were keen to emphasise that the information provided to them would need to be clear and easy to understand for 'non-expert' consumers (with many participants viewing themselves as non-experts, who do not feel knowledgeable about the energy market or billing). Whilst participants did not feel that increased transparency would necessarily deliver benefits in and of itself, it was seen as important that a future system delivers transparency, as this is seen as an intrinsically good thing to do, and would demonstrate energy suppliers acting in the interests of consumers.

In particular, having learnt about what the money in their bills contributes to, participants felt that consumers have a right to know where and how money is

spent, meaning they were keen to see increased transparency with specific interest in levels of:

- Investment into the future energy system
- Reinvestment into operational aspects of the business (e.g. customer service)
- Support provided to vulnerable energy consumers
- Energy company profits.

"[I want] transparency, in the future of UK energy, policy, what is being done and how it's going to have effects"

Participant, Cardiff, Workshop

"It would be good to have some transparency. I want to see where my money goes, you don't see this information. If you're saying you have to have these fixed costs, there spending on infrastructure, where are the updates? Seeing that your fixed costs are actually making a difference."

Participant, London, Workshop

Participants' views about the best way to communicate this information to consumers were mixed. Whilst many felt that consumer bills were the most obvious channel to use, there was recognition that many (including many of our participants) do not read their bills in detail. Similarly, whilst there was a belief this information should be available online there was scepticism about the extent to which 'ordinary' consumers would proactively seek this out.

"It's all good saying [supplier] made 2 million in profit... but what's actually being done? They should have to report that in a public format, in a way that's digestible for other people, and not in a hundred-page document."

Participant, Cardiff, Workshop

Intelligibility

Whilst transparency was important to consumers, they also wanted to see greater intelligibility of bills, to help them understand what different parts of their bill mean. Currently, many described feeling that bills are currently too lengthy and include too many component parts, which make them hard to interpret. Participants expressed a desire to see bills that more clearly reflect the real amount of energy they use, as they felt it wasn't explained clearly enough how their behaviour influenced the price they paid.

"You need something that's easy to read, easy to understand... and all the companies need to do it, and they have to be on board."

Participant, Cardiff, Workshop

"[Consumers] need extra support to understand the bills so they can use the right tariff."

Participant, Glasgow, Workshop

5.5 Strong and visible enforcement of the rules

Outside of the energy pricing system directly, there was a strong belief that it would be important that all rules were strongly and visibly enforced. The majority of our participants had low trust in energy companies and, whilst they had little knowledge of energy regulation, assumed that regulations were not always followed by energy companies. They therefore believe that Ofgem will need to actively ensure that in situations where bills are increased to pay for investment or to protect vulnerable energy consumers, energy companies are definitely using the money raised through bills to address those areas.

Importantly, in addition to ensuring this enforcement happens, participants were keen that it was done 'visibly' (in line with the broader desire for more transparency in energy pricing). They wanted to be informed by their energy provider about exactly what their money was going towards, how it worked, and some participants mentioned having their bills feature stories or statistics about what their money had resulted in.

"If the price goes up, people need to be sacked... there has to be accountability if we're going to do the innovation thing."

Participant, Glasgow, Workshop

6. Views on how costs should be recovered

In the second half of the workshops, participants were asked to consider how costs in the energy system should be recovered to fund key areas.

This section will explore:

- *Views on two key areas that recovered costs will need to fund:*
  - *Support for vulnerable consumers*
  - *Investment in the future energy system*
- *Views on the trade-offs relating to recovery of costs:*
  - *Simplicity vs. control*
  - *Predictability vs. variability*

Participants were presented with stimulus material to aid conversation and encourage them to consider different ways in which costs could be recovered in practice, and how this would impact different consumers. The stimulus material used were made up of pen portraits and the scenarios:

- ***Pen portraits:*** *Examples of different types of energy consumers with varying needs, to help encourage them to think beyond their own needs and about the wide spectrum of consumers that exist. This stimulus particularly informed discussion about support for vulnerable consumers and how this impacts the different ways of recovering costs.*
- ***Scenarios:*** *Examples of hypothetical ways in which costs could be allocated in the future. These scenarios presented an 'extreme' version of the energy pricing system, to represent one side of key trade-offs. Participants were informed that realistically, a future energy system would be made up of overlapping principles.*

The trade-offs these focused on were:

- ***Simplicity:*** *meaning customers would clearly understand how much they pay and where the money goes through fewer tariffs*
- ***Control:*** *where consumers have greater control over their energy costs, such as greater choice between different tariffs and ways to pay*
- ***Innovation:*** *spending money to improve the energy system, moving away from a reliance on oil and gas towards more clean, homegrown energy*
- ***Protection:*** *where vulnerable consumers are prioritised in being protected from rising fixed costs in the energy system*

Please find the stimulus that participants were shown in Appendix C and D.

6.1. Views on recovering costs

The recovery of costs[5], through energy pricing, is a key consideration for planning future investment in the energy system. There are two areas where Ofgem can influence change within the energy system, which participants were asked to consider over the course of the workshops:

- The level of support provided to vulnerable consumers and how that support is provided.
- The level of investment in the **future energy system**

Note: One limitation of this research is that participants in the workshops were not provided with real price implications to help inform their views. This meant participants were working with hypotheticals and had no practical measure for how much bills could potentially vary, or the real timeframes that price changes would take place over. In this context, the trade-off between current and future costs were largely contingent on hearing more about the price implications.

6.2. Views on recovering costs to support vulnerable consumers

As mentioned in Chapter 4, participants in the workshops spontaneously expressed a strong desire for vulnerable consumers to be protected. However, there was a recognition among participants that vulnerability spans a wide spectrum which can impact consumers in different ways. Spontaneous associations with vulnerability related particularly to those with long-term health conditions, those who are financially vulnerable or on a low income, and elderly consumers.

"*With vulnerable, what would you class as vulnerable? You know, the worst off is people with disabilities... but, basically, every vulnerable person needs help.*"

Participant, Glasgow, Workshop

"We need to consider what vulnerable is. And as we're seeing with food banks, most of the population can actually qualify. Is it going be the same, where anybody can turn around and say, I'm vulnerable?"

Participant, London, Workshop

[5] 'Costs' are the full range of energy system costs (both fixed and variable) which are recovered through consumer bills via 'charging'. Cost recovery through bills is the mechanism by which system costs are passed onto consumers.

Participants expressed sympathy for vulnerable consumers and felt that something must be done to help protect them. This desire was driven by three contextual factors:

- The perception that many consumers are now struggling in a way they may not have previously due to more people facing cost of living pressures and therefore struggling financially. This means many more consumers are likely now falling into the vulnerable category than before. Many participants were therefore able to understand and identify with the feeling of struggling to pay bills, and therefore those facing financial vulnerability in particular.
- Energy is seen as a necessity, meaning no consumers should be forced to go without. Some participants quoted news headlines that suggested UK residents having to choose between 'heating and eating' and felt this was unacceptable.
- A belief that the UK is a wealthy country, meaning we should be able to afford to support consumers who need help.

"*The people are borderline but used to have decent money... We talk about crazy context, about kettles and turning a light on. 20 years ago, it wasn't a concern for anyone.*"

Participant, Glasgow, Workshop

While there was strong consensus that vulnerable consumers should be protected, there was less agreement on how this could look in practice. Participants predominantly discussed three different ways in which vulnerable consumers could be supported in practice:

1. **Government schemes and initiatives**

The most frequently raised suggestion for vulnerable consumers in receiving support was through schemes or initiatives offered by the Government, such as through vouchers or cash transfers like the Winter Fuel Allowance. It is worth noting that whilst there was strong support for this concept, very few participants were aware that the Government already offer schemes that aim to support vulnerable consumers (this was even true amongst those who would likely be eligible for support under these schemes).

Despite this lack of awareness, this felt intuitive for participants, who suggested it would help to directly address the issues facing vulnerable consumers in the most straightforward way, i.e., through the usual ways the Government would provide support to vulnerable members of the public. Participants agreed that the responsibility for helping vulnerable people in society should largely fall to the Government, as the Government should have responsibility for the public, particularly when relating to financial issues. Some participants also felt it was

counterintuitive for energy companies to have to decide who is and isn't vulnerable when the Government already have the criteria in place to decide this. They also did not feel that they (the public) should have to cover the costs themselves, while instinctively wanting to protect others, they didn't feel they had the means to do so. They felt the energy companies themselves had the means and the responsibility to do this.

"Because you're paying tax to Government, and the Government is there to help people on benefits... why not give the vulnerable free energy, rather than playing all these games?"

Participant, London, Workshop

"The Government should be protecting them as it's the job of the government to protect the citizens. Elderly, people with ventilation machines, people who really need a warm house and cheap electricity for medical bills."

Participant, Glasgow, Workshop

2. Practical support from energy suppliers

There was widespread agreement that energy companies should have a level of responsibility for vulnerable consumers. However, participants typically felt that this support should be more 'practical' in nature, i.e., more around logistical support in how to handle or understand their energy bills, rather than financial support. Suggestions included energy companies pro-actively reaching out to vulnerable consumers to check they are on the best tariff for them and offering additional advice or information for those who may struggle to find support themselves. Participants wanted to see this practical support offered alongside financial support, offered by Government.

"The companies who we're paying our energy to have the responsibility to look after their customers and make sure that they're not being treated unfairly."

Participant, Cardiff, Workshop

3. Bill support

Whilst no participants mentioned social tariffs explicitly, the forms of bill support they described was often most akin to a social tariff-type offering. There was some discussion around the idea of certain types of consumers paying different amounts to others, depending on their level of vulnerability.

In this sense, participants envisioned a system where the most vulnerable consumers get the largest discount on parts of their bill (i.e. the standing charge or unit rate), and those who do not need additional support pay as normal. For example, some participants felt all pensioners should get a discount as they perceived them to be inherently vulnerable. These conversations were fuelled by the public debate around the Winter Fuel Payment being cut and made means-tested at the time of fieldwork[6].

"When she's made unemployed, then her bill should just be instantly slashed, until she finds another job or whatever... a 50% energy slash until you find your job."

Participant, Glasgow, Workshop

However, participants were quick to discuss the perceived flaws in a system like this, particularly in that it would feel overly complicated for consumers to understand how it works, where their money is going, and that it would rely on different types or levels of vulnerability being explicitly traded off against each other. With the perception that vulnerability can be hard to identify, it was felt that this system did not necessarily feel fair or effective. For example, those who argued that all pensioners or people with health conditions that necessitate higher energy usage should get a discount, were countered by others suggesting that if those individuals were wealthy, they would not require assistance with paying their bills.

"Being a pensioner, you shouldn't be means tested, you've worked for it all your life, and you're entitled... the way Great Britain treats its pensioners is absolutely shameful."

Participant, Glasgow, Workshop

"There's people that know they shouldn't be getting winter allowances and stuff... [we need to] sort that out."

Participant, Glasgow, Workshop

Similarly, participants were sceptical about how much social tariff type offering would be able to help vulnerable consumers. Most assumed that a tariff like this would represent only a small discount on total costs, meaning that getting some

[6] Please note this research took place in March 2025, before Winter Fuel Payments were reinstated by the Government.

discount would likely make little meaningful difference for those that need it. As a whole, this was seen as being insufficient to tackle the scale of the affordability challenge facing consumers, meaning there was limited support for this idea.

6.3. Views on recovering costs to invest in the future energy system

Across the workshops, participants expressed a desire to invest in the future of the energy system. This sentiment was explored most during deliberation around the 'innovation' scenario that was presented to participants. This scenario was used as a way of exploring themes around investing for the future for uncertain pay off and participants' appetite for risk. The innovation scenario was intentionally non-prescriptive so that participants would bring their own interpretation of 'innovation' to the discussion. These interpretations ranged from retail tools such as price comparison websites through the major renewable generation and electricity transmission infrastructure.

The most powerful motivator for supporting investment was the prospect of energy bills coming down sooner in the future. It was seen that investing in new technologies is likely to create a cheaper system for consumers in a number of different ways, for example:

- Through creating more homegrown energy sources and therefore becoming less reliant on imported energy.
- Creating greater resilience against global spikes in energy prices, as evidenced by the increase in bills following Russia's invasion of Ukraine.
- More consumer facing technologies, such as tools to help consumers understand different energy tariffs to ensure they are getting the best prices. Participants envisioned user-friendly tools for consumers that would allow for an in-depth price comparison between different tariffs or suppliers. These tools would ideally use basic language and visual aids to present information in an accessible format.
- Building infrastructure that requires less regular maintenance and therefore reduces the standing charge.

"I like that idea, making it better for the benefit of us all... renewable energy...So if we're going to produce it in this country then it needs to be used in this country, for us, because we've paid for it."

Participant, London, Workshop

Many participants pointed to stories they had heard in the news or online, where innovation in other countries, such as Norway and Sweden, is leading to **consumer benefits,** particularly in lowering costs, and felt that the UK should

be seeking to do the same. This created a strong sense that the sector should be working towards innovation to quickly offer benefits to consumers.

"There should be solar housing, batteries charging and storing energy, building homes and infrastructure that have the capacity to generate and store energy. Like a little community that has its own self-sufficiency."

Participant, Glasgow, Workshop

Similarly, participants approached the conversation of innovation with a pre-existing awareness that investment in innovation is needed, as some were aware to an extent of the UK's Net Zero ambitions and that efforts are being made towards moving to a greener energy system. Innovation was therefore recognised as being necessary to reach these goals. Whilst the additional benefits of these schemes (i.e. GB moving closer to Net Zero) were recognised, they were less of a powerful motivator for supporting investment, compared to the potential for lower costs.

However, as participants continued to deliberate on investment and were provided with additional information around how this would have large cost implications and be delivered over long timescales, support for focussing heavily on investment began to wane.

Participants' concerns about investment often stemmed from their starting points and existing perceptions, outlined in Chapter 4:

- **Cynicism about energy companies.** Participants were very sceptical that energy companies would seek to provide consumers with lower bills, even if energy was cheaper to generate. Participants envisioned a scenario where energy companies could create bigger profit margins by continuing to charge consumers the same amount but generate cheaper energy. Some pointed out that the UK already produces a significant amount of renewable energy and consumers have yet to see any cost benefits for this.

"I feel like they wouldn't [reduce bills], they'd continuously charge us more."

Participant, London, Workshop

"Theres no guarantee, we could pay £50 a day, £100 tomorrow to fix all the stuff that needs fixing and then they say we've done it, your bills will go down to £80 and hang on that's £30 more than what I was originally paying."

Participant, London, Workshop

- **Perceived poor track record of UK infrastructure investment.** There was strong doubt that infrastructure projects would be delivered on time or to budget. Participants pointed to other infrastructure projects such as HS2, which are perceived to have been faced with continuous delays and readjustments, resulting in them being delivered behind schedule, over-budget and on a smaller scale.
    - Similarly, there were doubts that consumers would see benefits from these projects quickly after their completion. There was a shared sentiment that it would likely take years for consumers to see the benefits of innovation projects. There was not much forthcoming support from participants about protecting future generations from high pricing, this is explored further later.

"The feasibility, moving from 40% to 95% [of UK energy coming from renewables] in 5 years, if the government has shown no interest in [innovation] ever, all of sudden it will deliver the most incredible thing ever? It's just ridiculous."

Participant, Glasgow, Workshop

- **Global instability.** Recent history of unexpected costs and financial issues arising from events such as the Russia and Ukraine war, the COVID pandemic, and the cost-of-living crisis, made people feel wary about the future of energy prices (e.g. they are likely to always go up) and wary that there could ever be accurate predictions of energy prices.
    - Older participants also felt that energy bills had never been a worry when they were younger and had since only gone up over their lifetime. This led these participants to question if costs would ever go down again.

"If there's a war on, like for example Russia and Ukraine, that impacts us for our gas. But if we've got renewable sources, why are they not implementing that... because they keep on saying it, every time, yeah, we're going to do renewable sources and it's going to come down to the customer, but it never happens. It almost feels like they're talking just to pacify us all."

Participant, London, Workshop

As discussions went on, participants became increasingly less supportive of the energy system prioritising innovation, due to scepticism that it could actually result in lower prices for consumers, or that bills would come down in a reasonable timeframe. As mentioned, participants' lack of trust in energy

companies to deliver this innovation, and pass on any savings to customers, came through strongly in these discussions.

"There's no transparency how much it will cost in the future, ultimately we want a greener area to live in, we can be doing all this, and energy prices is still going to costs the same."

Participant, Glasgow, Workshop

"The renewable energy is supposed to be self-sustainable but there will be another reason why it will get more expensive later on, always a justification for it."

Participant, Glasgow, Workshop

In an ideal world, participants felt that innovation would be invested in heavily and rapidly. This would mean large investment happening as soon as possible, for bills to come down quickly and by the greatest amount.

However, it was recognised that in this scenario, this would lead to the largest possible bill increase in the short-term to allow this to happen. All participants agreed that this would not be preferable, as bills are already viewed as being too expensive, and any further increase on them would become unaffordable.

"We invest a lot of money in making these changes, for example the benefit system, we invested a lot into changing the benefit system. I'm sceptical. It's just a significant change to make if we aren't benefitting."

Participant, Glasgow, Workshop

As a result, participants wanted further information on this to inform their views on this trade-off. Namely they wanted to hear:

- **How much bills would be <u>without</u> investment in innovation**, in order to offer a comparison point for how much bills have scope to change in the future. This would help work out how much 'room' there is for bills to rise but remain affordable.
- **How much bills could increase by and how long they would remain at this higher cost** if investment is put into innovation. This would provide a sense of the total impact of investment on affordability and give a sense of the timescale at which this higher cost would need to be shouldered.
- **How much bills could come down by in the long-term, and when they would start to decrease.** This would help to provide insight into

the level of benefits consumers would gain from investment, and how long they would need to wait to see these benefits.

- **Clarity around what would be done, and how this would be enforced.** Participants wanted to understand the scale of projects that would need to be undertaken and wanted guarantees in place that they would be delivered on time and on budget.

"That ties into the theme of transparency, what are you going to do and when?"

Participant, London, Workshop

Overall, participants had mixed opinions about the level of investment that should be given to innovation; however, sentiment was slightly more negative than positive. As many felt they could not make a decision without this further information, no consensus was reached.

6.4. Views on trade-offs associated with recovering costs

Participants were presented with a number of key trade-offs to consider in relation to recovery of costs[7]. This section explores two of these trade-offs:

- **Simplicity vs. control:** Did participants prioritise their bills being easy to understand and the charges to be broadly the same for everyone, or did they want to have full control over how they paid with a greater number of tariffs available to explore and choose from?
- **Predictability vs. variability:** Did participants prioritise their energy bills being consistent and therefore predictable, or did they want more variability in their bills if it meant it would sometimes be cheaper?

6.5. Views on trade-offs between simplicity and control

Participants were asked to consider the benefits and drawbacks of a future energy system that prioritised simplicity vs. control. They were provided with information around how this could look, with simplicity focussing on a smaller range of tariffs available, and fewer ways to pay for energy, but the price consumers pay being clearly linked to energy usage. Control was presented as having a greater number of tariffs available, with consumers being able to 'shop around' for the best tariff for them.

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[7] *All sides of the trade-offs were presented to consumers as having higher cost implications on consumers' bills.*

"Simplicity, it's clear to understand, [whereas] control I feel we have now and it takes a lot of time and energy having to keep shopping around, time consuming, energy consuming."

Participant, Glasgow, Workshop

Support for simplifying the system

Having been presented with this trade-off, most participants viewed simplicity as more intuitively appealing than control.

Participants reasoned that the energy sector is already seen as complex and hard to navigate, meaning consumers feel excluded from finding the best deal. Many cite feeling that the current market is over-saturated with a large number of suppliers and tariffs but very little difference between these options, meaning consumers have little sense of what tariff they should be on.

Engaging with the energy system in this way is seen to be time consuming and requires a good level of knowledge about how the system works in order to be able to benefit from it. Many participants in this study viewed themselves as being time-poor due to work, family or personal commitments, and felt unable to engage fully. It was therefore felt that adding in further options in the way of additional tariffs or more options to pay would further complicate the system for 'ordinary' consumers.

"Not everyone's a savvy consumer who can read [energy bills]."

Participant, Cardiff, Workshop

"Someone like me, doesn't have the time [to compare different energy tariffs]."

Participant, Cardiff, Workshop

Concern around leaving vulnerable consumers behind

Similarly, there was a shared sentiment among participants that vulnerable consumers stood to lose out the most from a more complex energy market that prioritises choice. Participants agreed that vulnerable consumers are the group least likely to be able to engage in the system for several reasons, such as being digitally excluded, being busy with children, or having long term health conditions. As a result, participants felt that a simple system with less choice would feel the most inclusive for the broad range of consumers.

"If there's a best deal out there, why aren't we already being automatically given the best deal? I'm already doing everything I can being a parent, job, you know,

there's a tariff last month, but you missed it? We have to change tariffs all the time?"

Participant, Glasgow, Workshop

"I think simplicity… it's not bad... it would address some of the problems in the vulnerable situation."

Participant, London, Workshop

Support for control

Despite participants being largely in favour of a system that priorities simplicity, a small minority favoured having more control. For these participants, many felt that consumers can already have control if they wish, and it was felt that consumers who are willing to engage with the energy system (of which they feel there is a sizeable proportion of people) would stand to lose out if consumer control was limited. They felt that through reducing choice, this would create a system where consumers have less autonomy and would therefore end up paying higher prices as a result of not being able to shop around for the best deal.

"Most people want lower bills so it's a trade-off, you make it more simple but it means you are paying more…I'd want more options, more tariffs to choose from."

Participant, London, Workshop

Similarly, there was concern from some that limiting choice could in turn hinder positive behaviours that may otherwise be encouraged in a system where there are more options. For example, where there is a choice for consumers to adopt tariffs such as Time of Use, or invest in renewable energy sources at home, this may encourage consumers to engage in more environmentally friendly practices, or reduce the energy they are using, which consumers may not be rewarded for doing so in a simpler system. The preference for this minority of participants was choice over simplicity as it was felt to offer wider benefits and potentially cheaper prices. This was a view held particularly strongly by those who were already more engaged in the energy system.

"I like the idea of having control and to decide what tariff works best for us, we are also trying to lower our energy as a family, this would be suitable for myself, I have two small kids so it's nice to organise our life a bit more efficiently."

Participant, London, Workshop

Bringing simplicity and control together

Participants were informed that increased simplicity in the system may result in higher bills, as a 'simpler' system may not be the most economically efficient when it comes to recovering costs. This raised questions among participants, who felt that this rationale seemed counter-intuitive and therefore struggled to understand why simplicity would need to lead to increased costs for consumers.

"Simplicity but you are paying for everything, why will you have to pay more for that [explaining and making it simple]?"

Participant, Glasgow, Workshop

As a result, this led to a conversation around whether simplicity and consumer control needed to be in tension with one another, or whether a solution could exist to find a middle ground. One frequently raised participant suggestion for this included using innovation to create a simpler system without increasing bills for consumers. This sentiment was based on three things:

- **Previous examples of innovation in the market,** such as price comparison websites or automatic switching services, which reduce the burden on consumers in navigating the market and allows greater understanding of a range of tariffs. Participants wanted to see further innovation of consumer-facing tools to help to navigate the system. One suggestion was an app that automatically switches you between the tariffs that save you the most money on a regular basis.

  "Consumer control was our number one. It just seemed the fairest as it gives consumers the option to just shop around and I used the analogy of going to confused.com to shop around. When I know it's time for renewal I know it's time to look around."

  Participant, London, Workshop

- **A belief that smart meter data could be used** to help deliver more tailored recommendations for consumers. There was awareness among participants that smart meters collect data on how much energy is consumed and when it is consumed, which could be used to help identify the best tariffs based on current consumer behaviour.

  "[I'd like] almost like a dashboard you can look at that's live."

  Participant, London, Workshop

"Like visual confirmation, like a smart meter."

Participant, London, Workshop

- **Calls for energy companies to help consumers** through alerting customers if they are on the 'wrong tariffs' (i.e. paying more than necessary) or automatically switching consumers to the best tariff for them.
    - Whilst this was a popular suggestion among participants, many expressed doubts that energy companies would adopt this approach as it would likely act against companies' commercial interests, and therefore felt it was unlikely that this would happen.

"There should be some kind of app that shows you all the providers... and switches you... even on a daily basis or weekly basis, so like today, you get the best deal with [supplier], tomorrow it switches you- your payment details are saved in the app."

Participant, London, Workshop

Whilst some of these practices are already carried out by some energy suppliers, few participants had heard about any schemes like these. In summary, although this system was viewed as contingent on buy-in from energy companies in committing to delivering an increased number of innovative practices to best serve customers (of which there was scepticism that this would happen), on balance a system where simplicity is balanced with control was seen as appealing by most.

"Knowledge is powerful, I think that here it says consumers don't have the time to find the best deal might not get the benefits of having control, if we were given more knowledge on why these prices are going up so much higher, I'd like to be in control."

Participant, Glasgow, Workshop

6.6. Views on trade-offs between predictability and variability of price

Participants were also asked to consider the trade-off between predictability vs. variability in relation to the future of energy pricing.

Overall, there was a strong, spontaneous, and consistent desire for increased predictability, particularly for consumers' bills. Participants felt that this trade-off

was more easily reconciled in favour of predictability – with very few voicing more support for variability.

"I can speak personally, I've changed jobs within the last year and I've taken a £9000 pay cut for reasons that are personal, so knowing how much I'm paying is really important because it will be the difference between me going, actually I'm not going to pay it this month because I need to feed my son."

Participant, Cardiff, Workshop

Participants felt that in an ideal world, energy pricing would be more predictable (i.e., the Energy Price Cap would be updated less regularly, and therefore prices would remain consistent or stable across a longer time frame), which would make budgeting easier for consumers when it comes to their bills. This was seen to be particularly beneficial for financially vulnerable consumers, for whom budgeting and managing their finances closely may be more important.

"You're never going to be able to budget, it's always going to be changing."

Participant, Glasgow, Workshop

Participants discussed how consumers on lower income, with multiple children, or with long-term health conditions that are reliant on a consistent supply of energy (e.g. a dialysis machine), may particularly stand to benefit from greater predictability.

It was not clear for participants why predictability could lead to more expensive bills for consumers. Once it was explained that less frequent adjustments to the price cap could mean that customers pay more as bills would be less reflective of real-time changes in wholesale energy prices, there was less support for predictability.

"Most people want lower bills so it's a trade-off, you make it simple but it means you are paying more… I'd want more options."

Participant, London, Workshop

6.7. Conclusions on recovery of costs

In isolation, participants said they would favour a **simpler, more predictable energy system** and emphasised their preference for prioritising these factors as principles for cost recovery.

However, in the context of already high prices, participants struggled to accept that simplicity and predictability would likely come at a higher cost to consumers than control and variability. They questioned why increased simplicity or predictability would lead to more expensive bills. This view underpinned their discussions of all scenarios and trade-offs, with participants expressing very strong reluctance to adopt cost recovery methods that would lead to higher overall costs. This meant that where the choice is between simplicity or predictability and affordability, affordability would likely be the strong preference over both of these.

This being said, the extent to which affordability is preferable is largely dependent on the real price implications for consumers.

7. Views of how costs should be allocated across consumers

In the second half of the workshops, participants were asked to consider how costs in the energy system should be allocated across consumers.

This section will explore participants' views on allocating costs in relation to three areas:

- *Protecting vulnerable consumers*
- *Intergenerational fairness*
- *Regional pricing*

Participants were presented with stimulus material to aid conversation and encourage them to consider different ways in which costs could be allocated in practice, and how this would impact different consumers. The stimulus material used were made up of pen portraits and the scenarios:

- ***Pen portraits:*** *Examples of different types of energy consumers with varying needs, to help encourage them to think beyond their own needs and about the wide spectrum of consumers that exist. This stimulus particularly informed discussion about support for vulnerable consumers and how this impacts the different ways of recovering costs.*
- ***Scenarios:*** *Examples of hypothetical ways in which costs could be allocated in the future. These scenarios presented an 'extreme' version of the energy pricing system, to represent one side of key trade-offs. Participants were informed that realistically, a future energy system would be made up of overlapping principles.*
- *The trade-offs these focused on were:*
    - ***Simplicity:*** *meaning customers would clearly understand how much they pay and where the money goes through fewer tariffs*
    - ***Control:*** *where consumers have greater control over their energy costs, such as greater choice between different tariffs and ways to pay*
    - ***Innovation:*** *spending money to improve the energy system, moving away from a reliance on oil and gas towards more clean, homegrown energy*
    - ***Protection:*** *where vulnerable consumers are prioritised in being protected from rising fixed costs in the energy system*

Please find both of these in Appendix C and D.

Participants were also given explanations regarding intergenerational fairness and regional pricing.

Please find these explanations in Appendix E.

Summary of findings in this section:

- **Participants shared a strong desire for fair treatment of all energy consumers across the system,** including during conversations around vulnerability, intergenerational fairness and regional pricing. This led to some theoretical willingness from participants to pay more to address unfairness in the energy market, in order to ensure fairness among consumers[8].
    - **However, support to pay more was not enthusiastic**, particularly for those only temporarily struggling with affordability, or those with vulnerabilities but are not financially struggling. In this sense, participants felt that energy companies should be doing more to work towards ensuring fairness for consumers. Participants wanted to see fairness exist between consumers and companies, rather than between consumers themselves.
- **Reported willingness to pay more was also heavily contingent on the real bill impact for 'ordinary' consumers**. As previously discussed, the higher the costs that consumers would be asked to shoulder in order to achieve this fairness, the less enthusiasm was voiced.

7.1. Overarching views of participants' priorities for allocating costs

Discussions around the allocation of costs in the energy system largely centred around prioritising fairness. Participants were asked to consider three different considerations when thinking about how costs could be allocated across the system:

- Protecting vulnerable consumers
- Intergenerational fairness (participants were asked to consider how costs should be allocated between current vs. future consumers)

[8] Note that due to the nature of the research, in which participants were asked to engage qualitatively with different trade-offs and make decisions based on these, willingness to pay is only indicative.

- Regional pricing, whereby pricing differs across regions, for example those with lots of renewable energy would have cheaper energy.

Note: Participants' views on regional pricing and intergenerational fairness were discussed at a headline level towards the end of the workshops. The objective was to help demonstrate to participants different ways in which energy costs could be recovered, rather than to facilitate a robust deliberative conversation on these topics.

7.2. Views on allocating costs to provide support for vulnerable consumers

Having agreed earlier in the workshop that more should be done to protect vulnerable consumers in recovering costs, there was initial support for allocating costs in a way that protects these consumers.

This being said, participants' support for costs being allocated across consumers to provide protection for those that could be considered vulnerable did vary based on the 'type' of consumers in question (covered in more detail below). They felt that there were certain types of vulnerable consumers who should be prioritised for support when thinking about a future energy system – and who they would be more comfortable being supported by allocating costs across other consumers.

Participants discussed three broad groups of vulnerable consumers who could be protected (in order of priority):

1. **Consumers balancing affordability with a lack of 'choice' over their energy use**

The top prioritisation for participants was consumers who are unable to reduce their energy consumption without detriment to their lives and are struggling to afford their bills. Based on the pen portraits, as well as personal experience, participants discussed consumers who have unavoidably high usage (e.g., those with a health condition that rely on high usage, such as needing a dialysis machine, or having multiple children), and the necessity for them to receive financial support. Participants suggested that these groups of consumers were also the most likely to be financially vulnerable, reinforcing this need to prioritise these groups of consumers.

"[Some consumers] *need the heat for their bones, and [others] are a mother, privately renting and on a pre-payment meter, those people are the two most at risk. You should be incentivised to buy a home that's more efficient, [but some] didn't choose to have those illnesses so you have to look after them."*

Participant, Cardiff, Workshop

2. Consumers temporarily struggling with affordability

The second priority among participants was for consumers who are struggling to pay their bills currently but their ability to do so may change in the future (e.g. those who are unemployed, with shorter-term health conditions, or have older children who may leave home soon). A number of participants resonated with this group of consumers, agreeing that support should be offered, but it should come at less of a priority compared to the previous group.

"She needs some improved tariffs to help her get through a tough time. If you're on Universal Credit and you're actively trying to look for a job I think you should get some sort of subsidised energy."

Participant, Cardiff, Workshop

Crucially, there was less sympathy for this group when participants had to consider whether they would be happy to pay more themselves, in order for this group to pay less. In this context, many shared a sentiment that consumers in this group should take a level of responsibility in trying to improve their own situation, and that this shouldn't come at the cost for other consumers. There was more support for the notion that funding for these customers should come from energy companies, or the Government. Some participants pointed out that already paying taxes that go towards welfare meant paying more for energy consumers would feel like 'paying twice'.

3. Consumers not struggling with affordability, but experiencing vulnerability

Finally, for consumers who can pay their energy bills currently without issue, there was not a strong sense that this group would need support, regardless of other factors impacting them (such as level of income or employment status).

However, upon reflection many shared concerns around protecting vulnerable consumers, due to concerns about the potential that this could create a 'catch-22' situation. This stemmed from concerns that to make support actually effective (e.g. make enough of a difference to consumers' bills to help), there would need to be significant levels of cross-subsidisation from 'typical' consumers' energy bills. This created a worry that this would result in 'typical' bills becoming increasingly unaffordable for other consumers, many of which are perceived to be struggling themselves, or 'just about managing'. As a result, this would risk pushing more consumers into a situation where they too would require support in order to be able to afford their energy.

"[Protecting vulnerable consumers] is basic decent society, so we can have basic society but unfortunately, all of you are going to have to be skint. People are vulnerable, they're getting more discounts, people in my bracket can't access

renewables so bills have to be higher because no one's invested in this system, there's no way out."

Participant, Glasgow, Workshop

As previously discussed, energy pricing is not seen as the best, or most effective, way to provide support to these consumers. Instead, participants maintained that they would want to see support come primarily through other channels, such as through financial support from the Government. Also central to this was that consumers wanted to see energy companies doing more to reinvest profits into supporting consumers.

On balance, whilst participants were strongly in support of vulnerable consumers being protected, a consensus on whether there was a willingness for consumers to pay more to enable this was not reached. Without a sense of scale of the impact this may have on 'typical' consumers' bills, participants were unable to assess their willingness for this. There was a strong sense that a small additional cost may be acceptable, but a larger, more noticeable increase to consumers bills would be unacceptable.

"The people on the borderline used to have decent money… I'd happily pay extra for [vulnerable people] but would other people? Most people are pushed enough as it is."

Participant, Glasgow, Workshop

7.3. Views on intergenerational fairness

Before being asked to consider intergenerational fairness, no participant in any workshop raised this spontaneously, and timelines were not discussed.

Participants were provided with a series of different pen portraits, representing consumers at different stages of life, and at this point, no participants raised a concern with certain energy consumers having to pay more now and potentially not seeing the benefits.

Once prompted, participants' views on intergenerational fairness were typically split by age:

Older participants were much more likely to say that it is unfair to ask older consumers, who would not benefit from new infrastructure, to pay more now in order to fund it. This was reinforced by the feeling that costs are already too high, and that older consumers are less able to increase their income through work than those who are younger. There was also some feeling that prices had been going up their entire lives, and they had already been shouldering the price

for younger generations only to find that younger generations weren't seeing the benefits anyway.

"Whilst I've got a little boy and I want his future to be affordable for him, actually financially for me right now, I need it to be affordable for me... Nobody knows their future, but actually what's prevalent for me right now, is prices are going to go up, can I afford it?"

Participant, Cardiff, Workshop

Some felt that investing more heavily now for costs to come down in the future would be beneficial when thinking about their children or grandchildren. However, for most this was overshadowed by a feeling that it was fair for future generations to have to pay equally, given they have had to do so themselves. This led most older participants to agree that costs should be allocated equally for current vs. future consumers within the energy system.

"When you say current and future, in my head I have two scenarios. In one scenario I'm building for my daughter but if I'm building for the rest of the people, I don't know it doesn't feel fair on me."

Participant, London, Workshop

"To be honest I just care about my bills now, so I'm selfish, I care about my life, my support."

Participant, Cardiff, Workshop

For younger participants, there was more support for paying more now in order to bring down bills sooner in the future. Many felt that it would be unfair to put costs onto future consumers when action could be taken now. In line with the previous sections of this report relating to innovation, there was a widespread desire for bills to come down as soon as possible, which many recognised would be best achieved through investing in innovation and infrastructure.

Whilst most younger participants were supportive of this, they still wanted reassurances on several different issues:

- **Guarantees of future benefit.** There was widespread scepticism around whether bills would actually come down in the future, as a result of investing more heavily now. In a context of distrust in the energy sector, participants felt that energy companies would come up with

reasons not to lower bills in the long-term, or that innovation projects would take longer, or be more expensive to deliver than initially planned.

- **Clarity on short- vs. long-term impact.** As a result, consumers called for additional information around how much bills would go up in the short term and how long they would continue to be at this increased rate for, as well as when they would see bills come down, and within what timeframe this would happen. Throughout the sessions it became apparent that participants' perceptions of what constitutes 'short-term' vs. 'long-term' varied widely. For some, 'short-term' was seen as 6 months, whereas for others it was 10 years. Opinions on intergenerational fairness therefore varied somewhat depending on what participants considered the timeline to be for bills to be more expensive across.
- **Accountability.** Participants wanted reassurance that measures would be in place to measure progress on investment, to make sure that bills were guaranteed to fall in the timeframe promised. Participants saw a role for Ofgem in ensuring that this would be the case.

"Going back to the end goal of prices going down, let's say it's 25 years if you are 30 and paying higher prices, and you get to 55 and become a vulnerable customer, prices will come down, but they don't have anything in place for vulnerable customers now- you are not going to get anything from that."

Participant, London, Workshop

"I don't disagree with this in principle, but if it was going to work then there would need to be transparency [of how energy companies are calculating bills], because at the moment people don't trust the energy companies to spend their money fairly."

Participant, Cardiff, Workshop

As previously discussed, without being provided with real cost implications, or policy solutions for how this allocation could look (i.e., how it would work for consumers to pay more now vs. later, or what alternative approaches could include), participants were unable to reach a consensus on views about intergenerational fairness. These questions were contentious for participants, with opinions divided across each workshop, though, as noted above, these discussions were not brought up spontaneously and therefore are not considered to be front of mind for participants.

7.4. Initial views on regional pricing

Participants were provided with information about how current regional pricing means that consumers in different areas of GB are paying different amounts. Few participants were previously aware that this happens, and almost all viewed this system as unfair.

Participants were informed that some areas have to pay higher prices, as it can cost more for the transmission of energy to areas that are less densely populated in place. Many were surprised to hear this. They felt it was unfair that consumers should have to shoulder the cost for what they perceived as energy companies not having enough infrastructure in place, as many felt this should be part of the energy sector's responsibilities.

"It's just like mobile phones- some areas you don't have signal, but you're still paying the same amount of money!"

Participant, London, Workshop

There was a clear consensus that energy consumers should pay the same amount as one another, regardless of location. This was heavily informed by a belief that all consumers are receiving the same fundamental service (i.e. gas and electricity). Furthermore, as participants view energy as a necessity, it was felt that all consumers should have equal access and pay for it equally, regardless of location. Similarly, many felt this was unfair as consumers may not be able to choose where they live. As a result, those in London and Cardiff felt strongly that they would be happy to pay slightly more in their bills, in order to equalise bills in this way. Participants in Scotland also felt that the system should be equal.

> *"This doesn't feel fair at all. To a certain extent, it's the same as how people who live up in the old highlands of Scotland don't have a telephone system or an internet system, but these people are needed, the farmers, and because they live in the wilderness they should pay more? I don't agree with that whatsoever."*
>
> Participant, Glasgow, Workshop

Once informed about different costs for different parts of the country, there was willingness to see bills equalised across locations, both from those currently paying less (i.e. in London or Cardiff) as well as those currently paying more (i.e. in Scotland).

However, there was some (limited) support for the continuation of regional pricing, as it was seen by some as a way to incentivise the development of new energy infrastructure. This stemmed from an awareness that there is often local opposition to new energy infrastructure projects, such as wind farms, which presents a potential barrier to reaching Net Zero goals. Some participants felt that increasing regional pricing has the potential to incentivise local communities to support energy infrastructure projects in their area and that this may have a net benefit to GB as a whole, reducing the amount of time it takes to build new infrastructure, increasing supply and therefore lowering costs.

> *"I can tell you now that 50% of people where I live do not want wind farms, but if you turned round to them, and said you get cheaper bills then [that might change]."*
>
> Participant, Cardiff, Workshop

8. Recap of Key Findings

Participants started from a position of limited awareness and understanding of energy pricing. Few reported understanding what each part of the bill means, with limited understanding of how unit prices worked or what standing charges were.

- **Prior to this engagement, only a small number of participants were actively engaging with their bills and the wider energy system.** Few described actively reading their energy bills, with most simply looking over it each month to check it is broadly correct, without reading it in close detail. Similarly, very few, if any, had previously thought about energy pricing and what the different costs and charges on their relate to prior to taking part in this research. Most participants had limited knowledge of how energy pricing currently works and had not previously considered where the money on their bill goes, or how these costs are made up.

Participants felt the most important factor when thinking about pricing in the energy system is affordability (especially for vulnerable consumers).

- **Affordability was the number one priority for participants in considering the future of energy pricing.** Due to a perception that current energy bills are too expensive, and that energy companies are making 'record breaking profits', participants felt that the current energy market is both unaffordable and unfair for consumers. Participants wanted any future energy pricing system to address affordability as a priority. They felt that a system that produces unaffordable bills, even if it delivered against other areas (e.g., Net Zero, consumer protection, etc), would not be acceptable to them.
- **Participants consistently and spontaneously expressed concerns about the impact of energy bills on vulnerable consumers and wanted action taken to protect them.** However, they did not instinctively see energy pricing as a way to deliver this. Participants did not feel that changing the energy pricing system to provide more support to vulnerable customers would appropriately address the detriment these consumers face current as a result of high bills. Participants were more likely to suggest government support as a suitable mechanism for offering protection for vulnerable consumers, though knowledge of existing government support was low.

Beyond energy prices being more affordable, consumers felt that simplifying the energy pricing system and ensuring investment in innovation were important.

- **Participants favoured a simpler, more predictable energy system over a system that gave consumers more control over how they**

were charged and greater variability of costs, when asked to trade-off complexity vs. simplicity. This was primarily due to concerns that a more complex, pricing structure (and system), where consumers have more responsibility for engaging with the energy system and finding the best deals for themselves would disadvantage both 'ordinary' and vulnerable consumers (who would struggle to benefit from this system due to limited ability to engage and be likely to end up on the 'wrong' tariffs) at the expense of a small cohort of highly engaged consumers who would stand to benefit from greater consumer control.

- **Participants were enthusiastic about the prospect of investing in innovation if it was to lead to lower costs of energy bills in the future – but low levels of trust in the sector mean reassurances are needed**. Participants were positive about the idea that innovation may lead to benefits for consumers, such as creating more homegrown energy sources, creating greater energy resilience or through developing consumer-facing technologies - all of which were felt to result in cheaper bills. However, there were also significant concerns about the impact on short-term affordability and whether infrastructure would be built on time and within budget. To increase buy-in, they wanted reassurances that projects would be completed on time, to budget, and result in real benefits for consumers.

Despite a desire for consumer protection, simpler and more predictable energy prices and innovation, all of these factors were ultimately traded off against affordability. Participants felt that if the energy pricing system does not deliver affordable prices for 'non-vulnerable' consumers then it is not fit for purpose.

- **Participants indicated a (theoretical) willingness to pay more to address areas of perceived unfairness in the allocation of costs between consumers**. Most participants said they were willing, in principle, to see their bills rise to cross-subsidise vulnerable consumers' bills and reduce/remove regional pricing.
- **However, theoretical willingness to pay more was contingent on the overall impact on consumers' bills.** As affordability was the most important factor overall, participants held strong views that changes to the way costs are allocated (i.e., if prices go up in order to fund support for vulnerable consumers) should not mean that bills become 'unaffordable' for other energy consumers (i.e. those not deemed vulnerable).

9. Appendix – Research materials

Appendix A: Participant breakdown

	London	Glasgow	Cardiff
Gender			
Female	7	9	9
Male	8	6	7
Age			
18-39	6	4	3
40-64	6	9	8
65+	3	2	5
Ethnicity			
Ethnic minority participant	9	4	2
Location			
rural	2	2	3
Housing tenure			
Social / council rented	3	3	5
Private rented	4	3	3
Owner-occupiers	6 (3 with mortgage)	9 (8 with mortgage)	8 (5 with mortgage)
Payment method (electricity)			
Direct Debit	7	8	10
PPM	4	3	6
SC	4	4	0
Payment method (gas)			
Direct Debit	5	6	10
PPM	5	4	6
SC	4	4	0
Metering			
Yes	5	6	6
Supplier (gas)			
Large	12	13	16
Medium	2		
Small	1		
Supplier (electric)			
Large	11	15	16
Medium	2		
Small	1		
Energy tariff			
Fixed rate	7	6	6

Standard variable	8	9	10
Switching			
Supplier	2		
Tariff	4	5	5
Vulnerable			
Financially	3	6	4
Disabled/Long Term Health Conditions/Mental Health Conditions	8	4	4
Digitally disengaged		3	5

Appendix B: Pen portraits

Anna

Anna is a single 42-year-old mum living in London.

She lives in a 2-bed private rented flat and shares custody of her daughter. She lost her job in September and is struggling to find a new one. While she looks for a new job, she is living on Universal Credit.

To save money Anna tries to use less energy at home. She keeps the heating off when her daughter isn't staying with her, even when it's cold. She also keeps the lights off, even when it gets dark. This means Anna uses less energy than is typical for the type of property she lives in.

Anna has a prepayment meter - she pays for the energy she uses and fixed costs up front and loads that credit directly on to her meter.

Linda

Linda is 68-years-old and lives in a council flat in Yorkshire. She lives on a state pension.

She has a lung condition called chronic obstructive pulmonary disease (COPD), causes damage to her lungs. Linda uses an at-home ventilation machine. This machine has to be plugged in, which uses a lot of energy. Without it, she would struggle to breathe.

Due to her condition, Linda also has weak bones, which makes it hard for her to move around. Because of this, stays at home a lot and keeps the heating on often to stay warm.

Daniel

Daniel lives and works in Swansea. He is a 28-year-old professional working for a tech company. He lives in his own home, which is a new property with a high energy efficiency rating. Daniel lives with his cat, Taco.

Daniel has solar panels on his roof to get energy for his home from the sun, and he drives an electric car to work.

Craig

Craig lives with his partner and their four children, who are between 6 and 13 years old. They live in their own house in Aberdeen.

Craig stays at home to take care of the children. The children use a lot of energy at home, like watching TV after school. Craig cooks dinner at the same time every day, so that the children can go to bed at 8pm. With 4 children, the washing machine is on a lot.

Craig's partner used to handle the energy bills, but she recently got a more demanding job which means she doesn't have time to do this anymore.

Craig now takes care of the energy bills, but he can find it hard to understand the bills. Craig cares about the environment but finds it hard to find information on how to reduce his family's energy use and bill.

Appendix C: Scenarios
Simplicity

Simplicity

In this scenario it is easy to understand how much you pay, and where this money goes.

How would this scenario achieve this?

- There would be fewer tariffs, or ways to pay for energy, to choose from.
- The price you pay for energy would be clearly linked to your energy usage.

What would this mean for energy bills?

- Overall, bills may be higher because there are fewer incentives to use less energy at peak times to help manage the energy system.
- Everyone would see one number on their bill, with fixed costs being a % of the total bill.

Considerations:

- It's easy to understand how much you pay and where your money goes.
- There will be less choice relating to how you pay for your energy. This might be easier for those who can't or don't want to engage with the energy market. But there will be less opportunity to save money by changing when you use your energy or choosing different tariffs.
- There would be less help for vulnerable consumers who might need protecting.
- Overall, costs might be higher for everyone because making fixed costs simple may not be the most efficient way of recovering them.

Protection

Protection

Consumer protection is the priority in this scenario. Consumers in vulnerable circumstances are protected from rising fixed costs in the energy system.

How would this scenario achieve this?

- Costs would be shared between consumers in more complex ways. It would harder to understand where the price on your bill comes from, and where the money you pay goes.
- People who are not as vulnerable might have to pay more to help lower the bills of those who need more financial help.
- It might take longer to make our energy system more reliable and efficient and reach net zero because less is being invested in new technology and infrastructure.

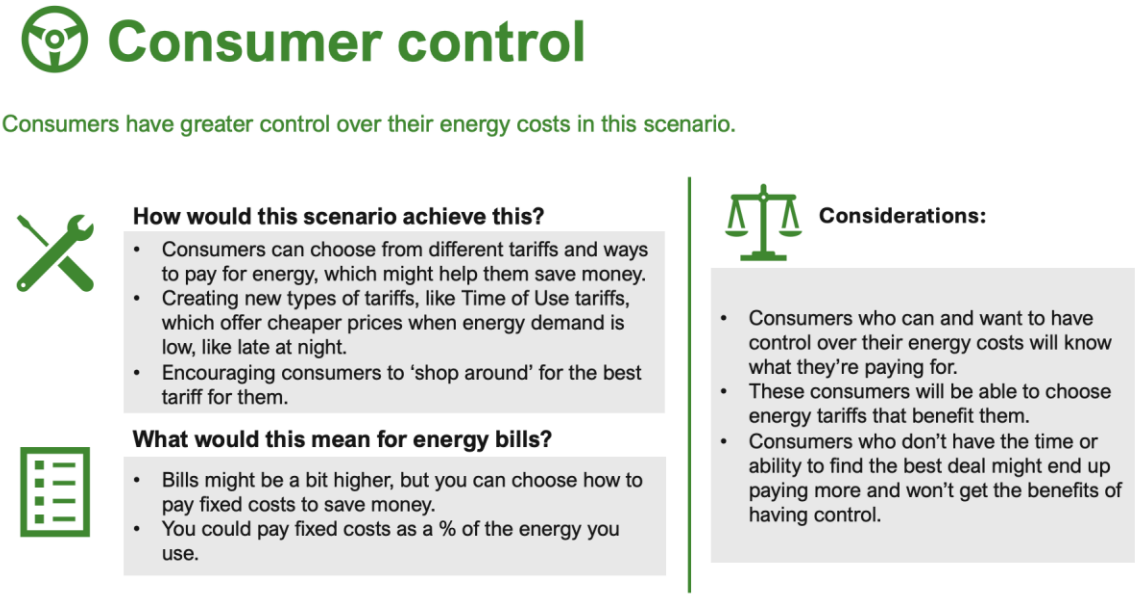
What would this mean for energy bills?

- Some consumers might have to pay higher fixed costs to help cover the bills for others who need more financial help.
- Consumers in vulnerable circumstances are protected from costs they might not be able to afford.

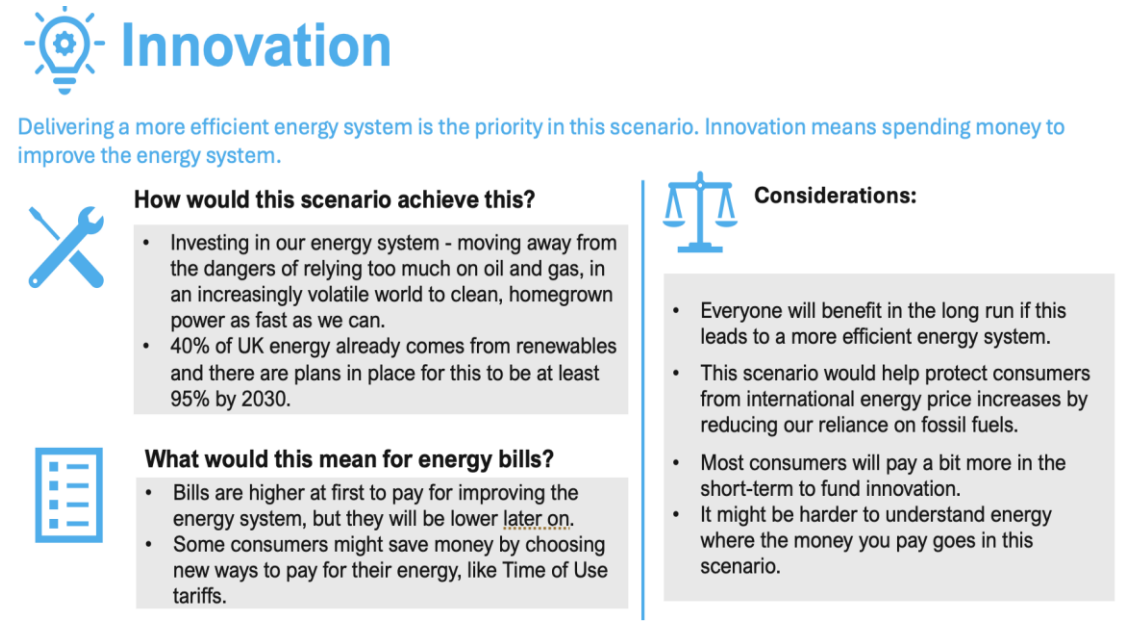
Considerations:

- Consumers in vulnerable circumstances are protected from changes and increases in fixed costs.
- There are higher costs for those who aren't in vulnerable circumstances.
- There is less money being spent on reaching net zero and making the energy system better for the future.

Consumer control



Innovation



Appendix E: Allocation definitions

Current vs. future consumers

- Today we have spoken about how changes to ensure the safe and reliable supply of energy to GB consumers will require investment.
- If consumers pay more towards this investment now via their bills, this may mean that consumers in the future would pay less towards these changes.

2. Regional differences

- The fixed costs that consumers currently pay as part of their energy bills, which do not vary according to how much energy they use, vary by region.
- This variation reflects the different costs of serving customers in different parts of Great Britain.
- As with any other product, the cost of transporting and distributing energy varies between regions.
- For example, some regions in GB can get their energy supply for a little cheaper than others because they have a more abundant supply of fossil fuels or renewable energy.

3. Consumers in vulnerable circumstances

- As we explored, some consumers living in vulnerable circumstances may be less able to pay for fixed costs in the system, or to engage with the energy market in a way that means they can find the best deal for them.