January 2009

Consumer First
- Panel Group Summary

Ofgem's new Consumer Panel – outcomes from first workshops

In March 2007 we launched the Consumer First programme, an initiative to help improve our understanding of what really matters to consumers and to increase direct consumer contributions to Ofgem's deliberations over policy matters impacting on customers. The programme has expanded to include a consumer Panel of 100 everyday customers, recruited from five locations across Great Britain (London, Leicester, Beverley, Caernarfon and West Glasgow). They are a unique resource that we can call on regularly to provide feedback on key energy topics and regulatory issues, and act as the 'voice of the consumer'.

They met within their regional groups for the first time in October and deliberated on a number of important issues including:

- how they perceived their own energy use,
- their attitudes to suppliers, and
- the potential for more information to make the switching process easier for domestic customers.

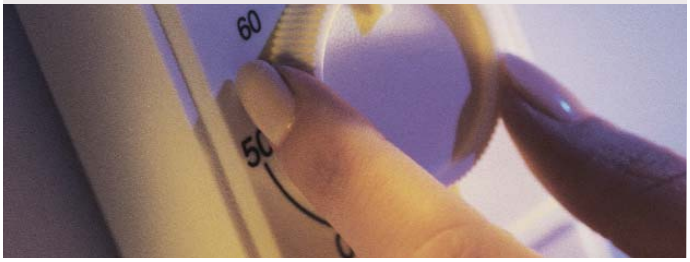
Highlights from the five workshops

- Domestic energy has transformed from a low involvement issue to one very much on the consumers' radar, driven by significant price rises.
- Consumers have been prompted to make behavioural changes to reduce their costs, however many are confused as to what changes to make to save money.
- Suppliers have a long way to go on providing high quality service; historically expectations have been low but the greater resonance of cost is likely to increase what consumers expect.
- Many consumers do not know whether they are a high, medium or low user. This industry shorthand does not help people make good switching decisions.
- Consumers want fewer tariffs that are easier to compare.

This summary is based on the findings from the first round of Ofgem Consumer Panel events which were held in October 2008 and facilitated by Opinion Leader.

Understanding and perceptions of home energy use

Domestic energy is historically a low engagement issue for consumers; however this has risen in the public consciousness due to escalating costs and widespread media coverage. The majority of Panel members claim to have made changes over the last 12 months to use energy more efficiently. The opportunity to reduce bills and help the environment is seen as a 'win win' situation.



Most common (convenient behaviour changes)

Unplugging appliances at the socket

Leaving PCs on standby

Switching lights off

Fitting energy-saving light bulbs (not always liked)

Turning the heating down or off altogether (putting extra clothes on instead)

Washing more economically and at night if on economy tariffs

Not using tumble dryers

Least common (installation/expense involved)

New (combination) boilers

Home insulation (roofs, curtains, etc)

Participants are unsure of the impact of the changes they make on energy costs and to the environment. Most do not know the price of running particular appliances (although those on pre payment meters may have a better idea).

Unwillingness to change	High priority on home comforts - i.e. heating, appliances
Practical difficulties	Related to property type / family size, incompatibility of modern products, expense of installation - e.g. re-setting digital clocks, 'freeview' updates at night, solar panels expensive
Knowledge and confidence	What is more / less energy efficient? Am I a high or a low user? Can my actions really make a difference (or will my bills increase regardless)?

Energy Usage

There was no commonly understood definition whether Panel members were high, medium or low users. Level of usage is assessed in a range of different ways:

- By overall spend
- By overall spend relative to income and/or what's expensive to them
- By the type of house or household
- By the type of behaviour and whether or not they are efficient or wasteful

Consumers with similar annual expenditures varied considerably in how they classified themselves, with a number placing themselves in the wrong category. With all of these variations, high/low usage doesn't currently work as a standard industry shorthand. It is perceived that there isn't a simple way of assessing whether their usage and spend is what it should be.

Experience of suppliers

The level of service offered by energy suppliers is not perceived to be high. They are seen to be profit rather than service oriented and lagging behind other service providers. Historically expectations of energy suppliers has been low, but with higher prices comes higher consciousness of 'what your money is paying for' and a desire to see more innovation but not extra complication.

Discussions around supplier failings were dominated by billing and communication difficulties, with bills perceived as being too complicated / lacking in useful information on pricing. Many have experienced problems around inaccurate billing, such as:

- Being charged twice
- Being charged by companies that did not supply them
- Incorrect meter details for their properties
- Being charged for properties they no longer inhabited
- Erroneous meter estimates and subsequent overcharging

Another key issue with respect to suppliers is a high level of uncertainty about tariffs; the vast majority are unaware of what energy tariff they are on beyond their payment method. Tariffs are perceived to be too many and too varied, and this is confusing to consumers. They question why so many tariffs are required when the transaction is so straightforward.

Switching supplier

Panel members have observed considerable sales activity in the market, many have direct experience of energy 'canvassing' by suppliers via phone or face-to-face and in some cases this has led to people switching. Switching supplier was driven by price and often in response to sales activity. Those who have not engaged with the idea of switching gave the following main reasons:

- No problems with current supplier
- Perception that all suppliers really more or less the same
- Lack of perceived significant price saving (e.g. £10-20 saving per calendar month expected by some) and whether it would be sustained
- Some loyalty (particularly amongst the elderly) to incumbent suppliers
- Assumed hassle factor (including challenge of comparing tariffs and concern about being double charged)

Panel members in each regional workshop had direct experience of switching in the past 18 months; their experiences varied greatly:

- Some reported that they were satisfied with the process as suppliers do most of the work
- Noticed cost savings
- Others had experienced problems and disruption resulting from poor communication between suppliers and billing errors

Information needs

Panel members were asked to investigate how they might go about comparing their energy supplier and charges prior to the workshops. They were asked to consider the following:

- **How they went about it**
- **Where they went for information**
- **The information sources they found useful / not useful**
- **Areas that were easy / difficult to investigate**

"Not likely to trust the companies themselves. Independent sites perhaps? But how independent are they really? They are always funded by someone..." (Caernarfon)

"Less choice!" (Beverley)

The internet, particularly via comparison sites, was the main port of call for information to help compare tariffs, with many arriving at these sites through a search engine. Few went primarily to supplier websites or any other source. There was a tendency to go to supplier websites after consulting price comparators for detail on how to switch.

There was some criticism about online information sources. Different online comparators can give different recommendations, Consumer Focus accreditation was not recognised and it was felt that sites asked for too much personal information too early in the process.

Consumers without access to the internet, or lacking in confidence in using it, felt disadvantaged. There were complaints amongst some older consumers about lack of alternatives and no freephone numbers for suppliers themselves. A number of older consumers express a preference to talk to somebody rather than using the internet.

"In a mobile phone shop you've got it all on a chart on a wall and you can talk about it face-to-face. In the 70s they had energy showrooms where you could talk to people - should have something like that still..." (Leicester)

Other sources mentioned for information on suppliers (generally as a supplement to internet searches) are:

- Friends/family/colleagues – 'word of mouth'
- National press and newspaper adverts
- Energy helplines
- Suppliers themselves (can they match a better price offer?)
- Yellow pages

"You can't compare the different suppliers by looking at their own sites. Most of it is pure marketing guff. It's packaged and dressed up to look attractive. You'd have to have a lot more information. It's designed that way..." (Glasgow)

Panel members spontaneously made comparison between the energy market and other markets, such as insurance (home, car), mobile phones, broadband and mortgages.

They were then asked to undertake an exercise where they considered other sectors and worked in small groups to consider what would improve the process of comparing energy tariffs and suppliers. It was felt that energy could learn from other sectors particularly in terms of:

- Standard units to aid cost comparison e.g. APR and number of minutes/texts
- Better/simpler information

"In this day and age it would be very simple to have a bill you understand. Why should you have to work it out?" (Glasgow)

Personal consumption information for the household." (Caernarfon)

"It's lack of information- that's why you don't think about changing. There's very little transparency so nothing to compare against" (London)

- A greater focus on retention and rewarding loyalty

"A standard price per unit. Get rid of standing charges." (Leicester)

Simplicity and transparency were seen as a particular priority for energy. The Panel believed the key needs centre around three main themes:

- **Standardisation** – e.g. units of measurement
- **Simplifying** information (especially tariffs)
- **Feedback** through home energy bills and other means (so that they are more useful and informative)

Some specific ideas from the workshops were:

- Cost per 100 units + guide to what 100 units means in terms of usage
- Ready reckoners on how much a typical single/couple/family etc. would be expected to use/spend
- Clarifying the presentation of bills and tariffs
- Proactive approaches from suppliers to their customers advising them of the best tariff for them and changing them if they are not currently on the optimal tariff
- Simple information for consumers about what they can do to reduce their energy use and save money

"One of the companies had 18 different tariffs. And you're not educated on what these tariffs mean." (Leicester)

Ofgem will be taking forward these findings and develop:

1. Simpler ways of enabling consumer to compare tariffs
2. Information for customers on their energy usage
3. Auditing of the way energy suppliers handle complaints