Ofgem Consumer First Panel

'The Future Consumer'

March 2009

Contents

1. Executive Summary

The following summary is based on the findings from the second round of Ofgem's Consumer First Panel events which were held in January and February 2009. A total of five deliberative workshops, each lasting 3 hours, were held around Britain.

The content of this event supports Ofgem's duty and commitment to explore a range of future scenarios for electricity networks that could arise as a consequence of market and policy developments. Ofgem's Long Term Electricity Networks (LENS)[1] project aims to facilitate the development of a range of plausible electricity network scenarios for Great Britain for 2050. These will facilitate discussion between stakeholders on longer term electricity network development issues.

This event involved an exploratory and creative discussion about the future of the energy market, inspired and informed by Ofgem's LENS scenarios. The event was structured to cover the following topics:

- Consumer engagement with the energy market
- Consumer engagement with environmental issues
- Level of governance in the market

Key findings

The majority of Panellists struggle to consider how life would be different in 20 years time, and particularly find it hard to consider the 'bigger picture' such as large-scale societal and demographic changes which might have an impact on the energy market. However, participants did discuss smaller 'step changes', as opposed to wider issues in society – changes in the context of how they live their lives currently, and in terms of what may be achievable and affordable.

When consumers are asked to think about consumer engagement in the future of the energy market, the majority of Panellists assume the future consumer will be a 'greener' one, thus there is a sense that it will be 'future generations' and Government intervention not 'you and I' that will make major change happen. Panel members assume that the future consumer will be more engaged with the energy market, and believe more efficient energy use in the home is a 'must have' for the future. There is an assumption that rising costs, coupled with increased knowledge and support from the Government will encourage these changes.

Many see infrastructural changes in both the home and the wider environment likely, for example, efficient heating systems, energy efficient appliances and improved transport infrastructure. On a more

[1] http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/lens/Pages/lens.aspx

personal level, most can foresee smaller changes with immediate impact taking place such as the use of energy efficient light bulbs and ‘standby killers’.

However, costs in the current climate would make extensive change prohibitive so while a few acknowledge smart meters and micro-generation as potential ways of becoming more engaged with the energy market and being more energy efficient, larger changes are not generally seen as immediate or likely. Overwhelming and sometimes conflicting information on energy efficiency from suppliers, the media and the Government is also felt to be a barrier to change.

Consumer engagement in the energy industry is linked to cost cutting solutions, particularly in the current economic climate, however, when Panellists were asked to consider engagement in the industry in 20 years time most discussed environmental issues. Most stated this is due to the fact that the ‘environmental’ message is prominent in the media, and this is the area where participants feel there are ‘tangible’ actions they can take. There is a widespread view that the Government will need to ‘step in’ to support the infrastructural changes deemed necessary and provide the information needed for consumers to embark on some of the larger ‘step change’ behaviour.

Greater Government intervention is felt to be likely in the future; mistrust of business exacerbates the need for this. Panel members feel industry and Government will need to work together – industry developing and innovating with the ‘safety net’ of Government regulation. Panel members state this must be a partnership and both must work together to develop the industry whilst protecting the consumer. Thus, a market led approach, more ‘balanced’ and with greater Government intervention than at present, is deemed the most sensible and likely in the future. Participants feel this will allow the market to be run by the ‘experts’ (business) and regulated by the state.

Consideration of the various LENS scenarios used as example of future markets at the end of the discussion resulted in a clear preference for the ‘Dynamic Green Markets’ model. This scenario was felt to be forward thinking, promoting innovation and change. Participants are pleased to see that in this scenario work has been carried out to re-build the infrastructure and industry is ‘in its place’.

However, there is acceptance that they are most likely to see the ‘Government Led Green Agenda’ in place, as many believe there is a reliance on Government to make ‘big changes’ happen particularly due to issues surrounding affordability and infrastructure. This scenario also takes into account panel members’ views that the energy companies are not delivering on environmental or price policies. However, it is generally understood that the way these scenarios are presented does not mean they will be fixed or mutually exclusive.

2. Background and objectives

The Office of Gas and Electricity Markets (Ofgem) is the economic regulator for the electricity and downstream natural gas markets in Great Britain. It has the key objective of protecting the interests of present and future consumers. It does this by promoting competition where appropriate and regulating the monopoly businesses that exist in the transportation of gas and electricity. In recent years a number of issues surrounding the supply of energy to Britain's customers have introduced considerable challenges, for example dwindling natural resources, climate change, increasing energy prices and an uncertain economic outlook. In order to carry out its role as effectively as possible in the face of these challenges Ofgem recognises the importance of gaining clear understanding of the needs and expectations of energy customers.

Ofgem launched the 'Consumer First' initiative, a programme that includes a range of primary market and social research to help the organisation to ensure that policy development is consumer focused and that consultations are aligned with the abilities of consumers to respond effectively. As part of this programme, Ofgem has set up the 'Consumer First Panel', a diverse group of 100 domestic energy consumers recruited to take part in a series of research events and surveys and be 'the voice of the consumer' and a unique resource for Ofgem.

The Panel was designed to enable members to become 'expert' consumers – meaning that they are able to discuss the issues from a consumer perspective with a rounded view of how the industry works and knowledge of the business models involved. Participants will be called upon regularly to feed back on key energy topics and regulatory issues.

The overall programme is structured as follows:

Research events can be used to explore topics in depth, and intermediate surveys are able to quickly and cost effectively get feedback on specific issues or, for example, communications material.

3. Sample and methodology

Sample detail

In order to ensure a representative sample of consumers in Great Britain, and also to avoid many of the frequently researched population centres, participants were drawn from five locations.

London	**Leicester**	**Beverley**	**Caernarfon**	**West Glasgow**

The sample was constructed according to a number of key demographics:

- Gender
- Age
- Ethnicity
- Social Economic Group (SEG)
- Tenure
- Rural/Urban
- Fuel poverty
- Payment method

Minimum quotas were placed on being an electricity-only customer and also on the energy suppliers to whom participants are signed up to, including the following:

- British Gas
- npower
- Scottish Power
- EDF
- E.ON/Powergen
- Scottish and Southern Energy

While the Panel sought demographically to be as nationally representative as possible, in each location certain demographics were raised or lowered according to the surrounding region (e.g. a greater number of rural participants in Beverley).

The Panel of 100 was upweighted by 10% to mitigate against any dropout at the events. The overall sample was populated as follows (showing both those recruited and those that took part in the second event):

Panel sample

	Total / target	Achieved
	110	**91**
Gender		
Male	**55**	47
Female	**55**	44
Total	***110***	*91*
Age		
16-24	**15**	9
25-44	**40**	38
45-64	**33**	26
65+	**22**	18
Total	***110***	*91*
Ethnicity		
White British	**96**	80
White Other	**3**	4
BME	**11**	7
Total	***110***	*91*
SEG		
AB	**25**	21
C1	**35**	28
C2	**25**	21
DE	**25**	20
Total	***110***	*90 (1 missing data)*
Tenure		
Owner occupied	**75**	58
Social rented	**21**	18
Private rented	**14**	15
Total	***110***	*91*
Rural vs urban		
Urban	**77**	71
Rural	**33**	20
Total	***110***	*91*
Fuel poverty		
Yes	**20**	16
No	**90**	74
Total	***110***	*90 (1 missing data)*

It should be noted that these workshops were conduced during a week of heavy snow across the country. One workshop was rearranged due to the weather conditions, and thus number of attendees was slightly lower than planned for.

All Panel member details are held on a database by Opinion Leader, where all details on attendance and demographics are recorded.

Twelve members of the Panel were replaced due to no-attendance at the previous set of events. Participants were recruited purposively the weeks commencing 5th and 28th January – i.e. using a door-to-door approach. They were all given information about the purposes of the Panel and of the commitment required at this stage, and a summary of the findings from the last events.

Methodology and topics for discussion

As with the first event, the second event was set up as a three hour deliberative evening workshop. It was decided that this event would be used to discuss two discrete topics. The first topic was an in-depth analysis of billing information and price metric information. A full report has been written on this and will be published separately. The agenda used in this part of the event can be found in Appendix A.

This report outlines the findings from the second topic, which was an exploratory and creative discussion about the future of the energy market, inspired and informed by the Long Term Electricity Networks (LENS) scenarios. The event was structured to cover the following topics:

- Consumer engagement with the energy market
- Consumer engagement with environmental issues
- Level of governance in the market

Prior to the events, Panel members were provided with a chart detailing some of the key developments in the energy industry over the past 20-30 years, as well as changes to the way in which consumers use energy (this can be found in Appendix B). Participants were asked to think about changes that might happen over the next 10-20 years' time in advance of the workshop, this was to ensure that they were 'warmed up' to talk about the future – which can be a challenging topic.

The events included a presentation of findings from the first event, plenary work, group discussions on tables and collaborative group exercises. The full agenda and all content used at the workshops can be found in the appendices.

This report details the findings of this research with the Consumer First Panel across all locations, which took place between 26th January and 9th February 2009.

4. Main Findings

4.1 Future consumer energy needs

To kick start the discussion about the future of the energy market, Panel members were asked to consider what everyday life might be like in twenty years time and what their needs as a consumer might be in terms of energy use.

The majority of Panellists struggle to conceptualise how life might be different in 20 years time, and particularly find it hard to consider the 'bigger picture' such as large-scale demographic and societal changes which might have an impact on the energy market. As a result, Panellists are more likely to discuss smaller 'step changes', as opposed to wider issues in society.

However, it was interesting to see that when participants consider what the future might look like, most spontaneously discuss a 'greener future consumer'. Initial discussions about how life might be different for the 'greener consumer' focussed around three main areas of expected change:

1. Transport
2. Homes
3. Energy generation

Transport

Participants believe that 'something needs to happen' to reduce the number of cars on the road in the next 20 years. Many assume infrastructural changes coupled with increased pressure on consumers to reduce their carbon footprints will help make this become a reality. A smaller number of participants state that cars might be powered by something that is more environmentally friendly in the future.

"Bikes to work, walking to work, car shares…. cars will be by powered steam or water or hydrogen."

Homes

Many Panel members expect housing will look quite different in the next 20 years. Many suggest that newbuilds will increasingly become 'greener', more thought will go into the design of houses in response to the energy efficiency drive, and more homes will have solar panels, heat pumps and energy efficient devices.

"New homes will be built and energy reduction measures will be put in place"

Panel members also believe that existing households are likely to become more energy efficient. For example, there is an expectation that more people will install log burners and solar panels at some point in the future. From this early stage in the discussion there was an assumption that as uptake of energy efficient devices increases, prices will decrease. This perception is borne out of the assumption that developments in technology and manufacturing of such devices will ensure that prices fall.

"More houses will have solar panels as they become more affordable".

There is also a belief that individuals will be able to use advances in technology to assist them in regulating their energy usage. Some of the participants with greener attitudes talk about an increase in the use of appliances such as smart meters and motion sensitive lighting (that turns off when the room is empty). Those that are not familiar with smart meters are both very interested to hear more about them, but at the same time have some reservations towards them which will be discussed later on in this report.

Many Panellists also suggested that household appliances will be more 'environmentally friendly', using less energy, running shorter cycle times and being more transparent in energy usage.

"In most hotels now, as you walk down corridor, lights go on and then switch off. A house like this would be good."

One group in the workshop discussed the idea of more 'earth houses' being built in the next 20 years, describing these as houses that are built using recycled materials.

Generation

The majority of participants feel there is an increasing trend towards renewable energy mainly in terms of macro generation, but also from a minority who talk about micro-generation. It is interesting to note that participants in the London workshops appeared to be particularly interested in this, Although, most are unsure of the detail or specifics, there is an expectation that there will be an increase in solar and wind energy. Panellists also believe that a number of electronic items we use at the moment, such as ipods, will be able to charge using renewable energy and this will become 'the norm'.

Most feel that renewable methods of generation are cost prohibitive at present, but there was a perception early on in the discussion that 'greener energy' may become cheaper as more people show an interest in it.

Furthermore, it was clear early on in this discussion that micro-generation is a long term goal that requires a perceived 'step change' in the way people get involved in the energy market. This will be discussed in detail later on in this report.

4.2 The future of the energy market

After soliciting views on expectations of future needs, participants took part in a number of discussions related to the key aspects of Ofgem's LENS (Long Term Electricity Network Scenarios). The following dimensions were discussed:

- Consumer engagement with the energy market
- Consumer engagement with environmental issues
- Level of governance in the market

Participants were provided with LENS scenarios handouts to aid these discussions. These can be found in Appendix C.

Throughout the workshops, across all locations it is apparent that consumers find it very hard to separate general engagement with the energy industry and environmental issues, and view them as going 'hand-in-hand'.

There was an assumption made very early on in the discussion that people will be forced into making greener choices through legislation, and these workshops show that consumers believe that there will be an increase in Government involvement, which is deemed necessary over the next 20 years.

Panel members agreed that overall consumers need more information and support to have the power to make the 'right choices' when it comes to energy, as well as changes to the physical and market infrastructure to ensure they can act effectively. It is expected that this will need to be driven by the Government.

4.3 Consumer engagement in the energy market

Panellists were asked to consider what might affect their involvement, interest and engagement in both energy use and where energy comes from, in the next ten to twenty years.

During this discussion, panel members of all ages quickly appeared to assume that it will be 'future generations' and not 'you and me' that will make changes in the future happen. Panellists do not tend to talk in terms of themselves, and what they might do differently, more about the 'way things will be'.

It is assumed there will be a move towards a generation of consumers who are less wasteful and more engaged with the market. This is based on two assumptions:

1. The fact that the young people of today are perceived to be more exposed to the environmental effects and damage of global warming, as well as more privy to a basic level of information about energy usage and climate change.

   "The generation behind us will have a lot more knowledge, more education in schools."

2. An expectation that these consumers will have the infrastructure in place to allow them to make green choices and decisions.

"Less cars and people forced to use public transport… Government restrictions on energy use in households."

Energy use in the home

A number of reasons were cited for the expected change in energy habits.

Restrictions/intervention from Government

Many assume early on in the discussion that energy use in the home will be subject to restrictions enforced by Government. Many feel this is 'the only way' to ensure everyone reduces their usage in the home. It was also felt that the Government needs to ensure everyone 'does their bit' as at present a small number of Panellists feel they alone cannot make a difference worth speaking of.

It is felt that greater intervention from Government will help those who are 'willing' through information and support and will encourage those who are 'less willing' through editing the choices available to them.

"We'll be penalised for being wasteful, if you think about 2 years ago we had never heard of carbon footprints. If you go back 10 years think how much has changed."

Consumer desire to cut costs

Panel members discussed in depth the impact the recession is likely to have on the energy market; this is discussed in detail later on in this report. All Panel members were in agreement that 'consumer cutbacks' are likely. Across all the workshops, the rising costs of energy coupled with widespread financial concerns were felt likely to result in actions by consumers to reduce their bills.

"The customer will be the driver – when things eat into our pocket… food and fuel... It is a hidden cost but it eats into your pocket. I think people realising this will start to mean they change their behaviour."

Greater understanding and transparency

At this stage in the discussion a small number of respondents discussed the fact that they hoped the energy market would become more straightforward for consumers to understand. There is an expectation among the minority that there will be changes to the way energy is monitored in the home.

These individuals hope that energy use and the cost of energy will become more transparent in the future, for example, being able to see what you spend 'as you go' and monitors on appliances that indicate energy usage levels.

"It would be good to have monitors on the fridge that showed you how much energy you use"

There is an expectation among the minority that are familiar with smart meters that they will become more common in the future, and this will help to make usage more transparent. It is important to note however that some respondents are concerned that smart meters could be detrimental to some consumers who may become more concerned over the amount of energy they are using and may feel pressured to constantly monitor usage to keep bills down.

"Good idea to see what you using, but people on a limited budget would be sat looking at the meter scared at what they are using."

As well as this, a small minority of participants on the panel found it hard to get to grips with how a smart meter would work, and why it could save them money. This highlights the need for education and demonstration of such devices.

"I've heard of smart meters, I know what they do, but having found out what you're using how can you turn that into a saving?"

The view that the energy market would become more straightforward in the future is partly indicative of participants' position on the panel, as they hope that their involvement and feedback will provide information that will be used to make the energy market more straightforward for the consumer, and information easier to understand.

Lastly, some Panellists believe there will be more visible signs of climate change in the next 20 years. As discussed later in this report, there is a perception that the effects of global warming will be more consistently and visibly publicised, and this would lead to more efficient energy behaviour in the home.

Changes to the home

Panellists believe that changes to people's homes are expected and required to enable consumers to be more energy efficient in the future.

As discussed earlier in this report, a number of participants discussed the idea of 'greener houses' in the future, for example more houses being built with solar panels, heat pumps and wind turbines. Panel members also discussed other 'gadgets' that were likely to be built as standard in homes such as 'sensor' lights, that turn themselves on and off when people enter and leave a room, as well as more energy efficient appliances built in as standard. These expectations largely refer to newbuilds and larger structural changes to existing homes.

There is an expectation among Panellists that a greater number of consumers will show active interest in these kinds of properties and technologies in the next twenty years.

> *"Building design would be different. Re-using materials and recycling more. More sensor lights."*

It is important however to note that Panellists find it very difficult to look beyond the present financial downturn and are quick to mention that these kinds of energy saving methods are perceived to be costly, both in terms of money and skill. Thus it is felt likely that economic conditions will limit uptake, and many state that if the onus is on the 'consumer' to make these changes a reality, the implementation of them is likely to be slow.

Thus, the economic situation may impact the extent to which consumers can be 'green'. Most Panellists assume that limited 'spare cash' means energy saving changes to the home might be cost prohibitive. They also assume that consumers will be less likely to 'upgrade' home appliances to more efficient versions over the coming years, and state that the saving gained from having more efficient appliances may not justify the initial outlay, or at least not be immediately and obviously cheaper, as information on savings can be scant:

> *"How much money are people really going to be able to spend on their houses?"*

Micro-generation

Micro-generation was only mentioned spontaneously by a minority of people at each workshop, with the exception of London where slightly more participants were aware and interested in micro-generation. Many find the concept hard to grasp, and get confused over the meaning of micro-generation, for example, a small number of participants explained that they were planning to invest in log burners in the near future and felt this would be a source of micro-generation.

The more 'switched on greens' feel micro-generation will become more common over the next 20 years and hope that it will be cheaper. Most panel members feel they will need the support of the Government or incentives to ensure that it can be affordable, for example through tax breaks.

Micro-generation was explained in a broader context to other respondents less familiar with the concept, and many of these individuals feel sceptical about the prospect of it becoming more likely or common over the next 20 years, particularly at a community level. There is a strong sense that the feeling of 'community' is diminishing in society and that these days people are less likely to 'pull together'. A few participants suggested this is largely due to the fact that people move houses or re-locate more frequently than in the past, and also a general perception that, you can no longer 'trust your neighbour'. Thus, a minority suggested that micro-generation might be more likely in rural areas – these being areas that are more likely to uphold traditional community values and also there is a perception people in these areas might be more affluent thus more able to invest in energy saving devices.

"Community element has died a death - I think people are more mobile these days… 'the community' is less important."

The perceived high cost and investment necessary to make micro generation a reality is a big 'turn off' for most. As well as this, a number of participants assume there will be time costs and inconveniences involved in generating their own energy. However, some can envisage micro generation may become cost effective over time, which may create more interest. Overall, there is also an assumption that micro-generation would be cost prohibitive to the majority, and for more widespread uptake to take place the Government would need to make changes to the infrastructure to support consumers.

"Would be interested in generating energy but there is the cost barrier, and the "laziness aspect"…I think it might be cost effective over time."

"Community generating – would benefit you, renewable energy is the logical thing to do but the cost at the moment is prohibitive."

Wider issues impacting on consumer engagement

The recession

As touched on throughout this report, most Panel members think the present recession is affecting the level of consumer engagement with the future of the energy market. Many feel more engaged now as they are making efforts to cut back on costs and feel energy saving is a good way of doing this. However, most actions are felt to be cost prohibitive, for example a number of respondents noted that consumers may not be able to upgrade their appliances to more energy efficient versions.

"… (The) Credit crunch may make people hold onto older, less energy efficient appliances"

A small number of Panellists however suggest that the downturn in the economy may have a positive impact on energy consumption. These consumers feel a recession can be 'a good time for change' as individuals are likely to be actively cutting down on energy usage to save money. Many talked about using energy efficient light bulbs and turning appliances off standby. A smaller proportion discussed investing in log burners or insulation.

"*Lots of people are going back to wood burners – there are waiting lists for them."*

The recession is also felt to encourage a 'back to basics' approach – more family time at home, and 'free activities', opposed to more expensive external leisure pursuits:

"A good time for things to change."

"More time at home….do a lot more in the house."

Global and local efforts

A notable proportion of respondents on the panel are still cynical about the level of difference they can make in the UK alone with other economies still rapidly growing. A number of participants question what they can do in the face of the fast growing industrial nations such as China and India, and the perceived 'gas-guzzling' United States. These oft-heard points of view are still seen as a valid excuse for many not to take action.

"What can we contribute towards reducing global warming – what about the World?"

"We can all do something individually, but everyone has to do something globally – [like the] USA."

This issue is also relevant at a local level. There is a feeling among some that they are 'the only ones' making the effort, and these individuals are concerned about the difference 'one person can make'.

These are the individuals who feel strongly that a level of Government intervention is needed to ensure 'everyone does their bit' and the situation is 'fair':

Social trends

A minority suggested that levels of engagement will be related to a general shift in societal attitudes (in much the same way that recycling has slowly become the 'right' thing to do) – and that becoming more energy efficient needs to be socially correct. Thus the shift is likely to be a gradual one.

"Move is so slow – I do think it is going to be very gradual."

"Social thing – the more people do this, the more people will engage."

Mistrust of energy companies

There is a general lack of trust towards energy companies, predominately based on the assumption that they are making large profits. There is a real lack of trust in energy companies to provide consumers with reliable information that will help them reduce their bills. Many believe that energy companies are too focussed on delivering value for shareholders, and consequently do not act in the interest of the consumer. These individuals are resentful of the fact that they try to make 'cut backs' and then bills continue to rocket. This creates trust issues which make energy company communications difficult to take seriously. Some suggest there needs to be greater trust in suppliers to provide honest and accurate information, before they take steps to change their behaviour.

Overall, the discussion about engagement in the energy industry had an 'environmental' focus

For many, level of engagement in the energy market is by default strongly related to environmental issues, and so much of the discussion about consumer engagement pre-empted the environmental discussion. This is due to the fact that participants automatically considered environmental issues when they were asked to consider their level of engagement with the energy industry. Most state this is due to the fact that the 'environmental' message is prominant in the media and this is the area where they feel there are 'tangible' actions they can take.

Engagement is also closely linked with consumers' current financial situation and the impact of rising energy costs on their lives. Most find it hard to consider how wider societal issues, such as demographic changes, will impact on their levels of engagement. In some part this is due to a lack of knowledge as to how society is changing, and what the larger scale impacts of demographic changes might imply.

4.4 Changes in environmental attitudes/actions

Overall, there is consensus that consumers will be likely to cut back on energy usage over the next 20 years, however most feel this is primarily for personal gain (for example, reduction in energy spend). Most Panellists can foresee small changes taking place that have with immediate impact, such as energy efficient light bulbs, ‘standby killers’ and for the minority, smart meters.

“We’re all trying to use less, but whether it’s for the environment or for the cost…”

Bigger changes in the home such as new energy efficient appliances, new boilers, solar panels and micro generation with a more long term impact are seen to be less immediate and cost prohibitive. However, as mentioned, a minority of the more engaged and ‘switched on’ respondents are considering bigger changes, for example, buying energy efficient appliances for their homes, and show interest in loft insulation and solar panels. These participants are interested in knowing more about how, and to what extent these changes can help them save energy with a subsequent positive effect for the environment.

During the workshops Panel members were open and honest in their discussions about their motivations behind energy efficient behaviour and many stated that any changes they have made or plan to make are for financial reasons first and environmental reasons second.

“If the price of energy went sky high, you’d be more interested, but you’d need to know about how cost effective.”

Consumers are generally information poor

Many consumers feel they don’t have the information they need to make the right ‘environmental choices’ and are confused about who to trust to give them advice. Two key issues emerged:

1. Mixed messages about climate change
2. Lack of information to support green choices

Mixed messages about climate change

Consumer interest in the environment is closely related to news, statistics and the amount of media attention and space climate change is given. During the workshops it was clear that participants feel energy messages and the prominence of energy in the media is not consistent and was felt to ‘ebb and flow’. Most felt they are not privy to a steady and consistent flow of information or reminders about the effect that energy has on the environment.

“(The media is) reactive – goes in waves…until you hear something in the news that starts worrying you again you forget about it.”

Panel members feel the current information available to consumers on climate change and energy impacts on the environment offers mixed messages, and comes from a number of sources such as suppliers (each speaking in a different 'language'), the media, word of mouth and even from their children receiving these messages through education.

"No one seems to be singing from the same song sheet…We get such mixed information."

There were a number of discussions in the workshop about the how these sources seem to offer inconsistent information, and what they hear can often be conflicting or overwhelming. Many were unsure which the most reliable source of information was, and can switch off to most of what they see/hear. This issue of whom to trust was discussed at most of the workshops and many are suspicious of messages provided by energy companies, feeling that they might not be in the interest of the consumer. A minority were even prompted to say that they feel energy companies are far more focussed on their bottom line than in helping the environment.

"I hope the energy companies take note of what these groups are saying – and make things clearer for us."

There is a cry for more consistent, reliable information. It is felt that in order for consumers to have the 'power' to make the 'right choices' a more 'joined up approach' is needed – with the consumer, Government and the energy companies working together.

"Give us more information, good advice and practical examples of the results."

Lack of information to support 'green choices'

Many don't feel they have enough information to pick a green supplier - and do not know where or whom the most reliable sources of information are. Some suggested they were keen for more information, written in 'their language' – free of jargon. These participants also suggested that more practical advice would be helpful, such as actions consumers can take to be more environmentally friendly that is realistic in the context of everyday life. They are also keen to know more about the positive impacts more environmentally friendly behaviour will have on the environment.

"Recycling – now we're told we have to hold off. It's economics. The government should really be leading here and making things happen. "

"More information, good advice and practical examples of the results. Has to be seen to be payback."

A need for a clearer picture of environmental impacts

Due to the inconsistent media messages and attention, many Panel members are unsure about the real impact that energy use has on the environment – and feel ill-informed about the extreme impacts of global warming. Some feel the damage to the environment (both present and expected) needs to be more widely publicised to encourage behaviour change – some suggest the use of 'shock tactics' to inform, educate and encourage.

"It's very difficult to get people to relate to global warming….. people will think 'no', things go in circles."

"You've got to get to people show them evidence…I'm not worried about a couple of polar bears… show me the seas are rising...not in reports I as an ordinary guy don't understand them!"

"If there is more evidence of the damage people may think more of the actions. Might take something quite drastic."

"Maybe it's an easy life to ignore the environment".

A lead from Government is highlighted

During the workshops the Panel members discussed the fact that they need more 'support' in being environmentally friendly and advice about how they can use energy most efficiently and effectively. The feeling is that the Government will need to take the lead in 'making things happen', and Panellists voiced a real desire to see structures being put in place to support consumer action.

"It's a bit like not using plastic bags – it's got to be a big drive that lasts"

"Government should really be leading here and making things happen."

A lead from Government was thought necessary and likely for a number of reasons:

Ownership

Throughout the workshops, there were a number of conversations about the fact that Government should take responsibility for making change happen, and that consumers cannot be expected to make changes off their own back. It is felt that 'someone' needs to take ownership for helping people make filtering choices. Participants agreed that Government needs to lead the way and set an example by editing choices and making infrastructural changes for consumers – this is a common cry heard in many areas where change is required, whether it be climate change, health or other areas.

"Consumers should not be allowed to be left alone to change their own behaviour. You need choice editing."

“Government should really be leading here and making things happen.”

Panellists also feel that energy companies are too concerned about their bottom line to ‘help’ consumers, and a small number suggest that suppliers may not want to provide consumers with information to help them be more environmentally friendly, as consumer cut backs in energy use will impact supplier’s profit margins.

Incentives

A number of participants feel a ‘softer approach’ from Government was likely. These individuals discussed the possibility of the Government providing incentives for environmentally friendly action and behaviour, for example, a reduction in council tax for low energy use, or a cash incentive for installing solar panels. Some felt this would be more suitable than the more heavy handed ‘restrictive’ approaches – the carrot rather than the stick. A smaller number of Panel members feel the Government will need to ‘team up’ with the energy companies to work together in providing incentives and subsidies for efficient energy behaviour, given that members of the public can only engage with the infrastructure and channels available to them.

“Government should be responsible for giving grants or subsidies.”

“Energy companies and the Government need to launch initiatives to help people to want to give it a go.”

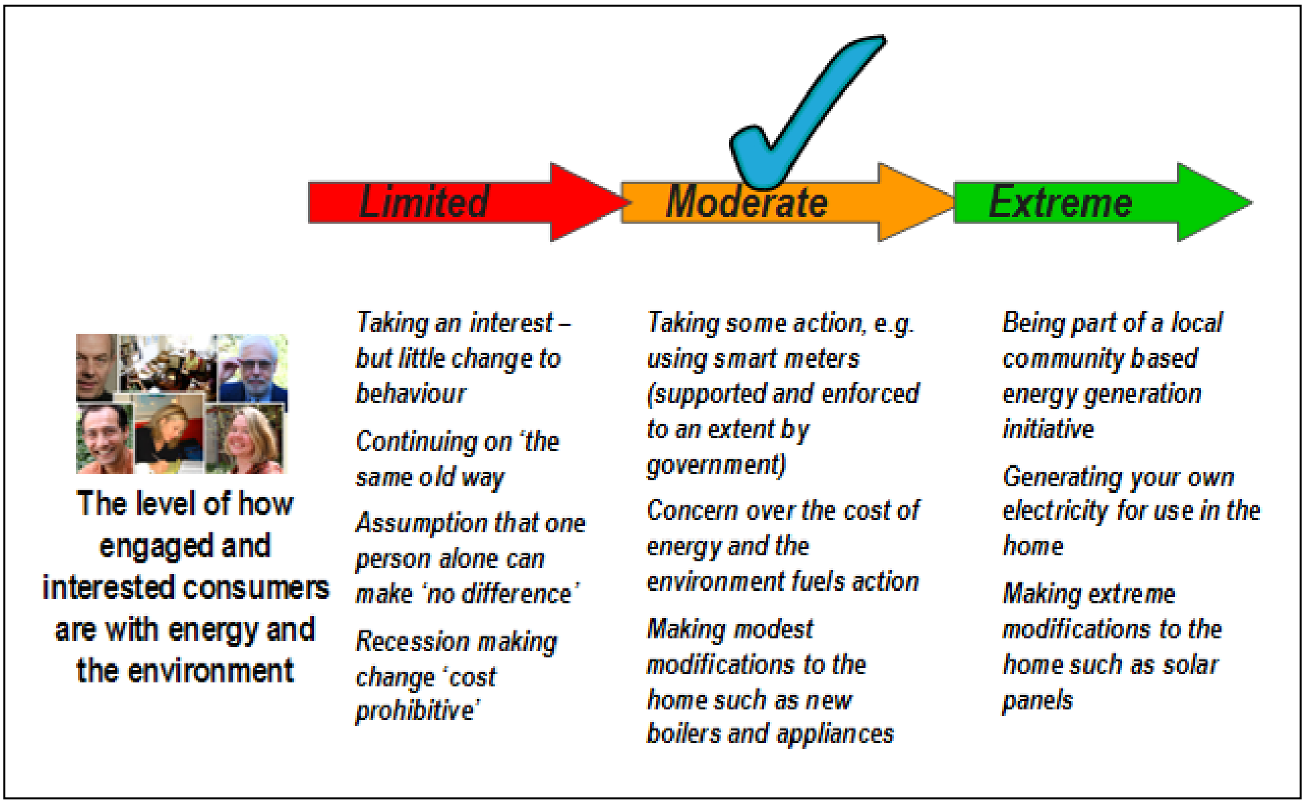
“Government would have to have some sort of involvement because of funding… private companies couldn’t fund energy generation projects.”

Changes in environmental attitudes/consumer engagement with the energy market – summary

When considering overall levels of engagement with both the energy industry in general and with the environmental agenda, as it has already been indicated, it is difficult to separate the two topics. In terms of the overall dimensions used to define the LENS scenarios, we have therefore combined the two dimensions to provide a summary of the Panel's current state of thinking on both consumer engagement and the environment.

In summary, there is an expected moderate level of engagement from consumers who are expected to take some action, e.g. making some changes to energy consumption behaviour, in some cases experimenting with smart meters and making modest modifications to the home such as new boilers and appliances (supported and enforced to an extent by the Government). Action is primarily fuelled by concern over the cost of energy and, to a lesser extent, the environment. There is a widespread view that the Government will need to 'step in' to support the infrastructural changes and provide the information needed for consumers to embark on some of the larger 'step change' behaviour.

Summary chart of expected levels of consumer engagement and environmental attitudes



4.5 Future Governance

Panellists were asked to consider the extent to which they feel and expect the Government and industry to be involved in the energy market in ten to twenty years' time.

At this stage in the workshops participants were provided with information about what a Government led and free market might look like to aid the discussion (see appendix D). Panel members then discussed the positive and negative implications of different levels of Government intervention and energy company freedom within the market.

Free market not 'customer focused' enough

At present, many Panel members feel they are currently at 'the mercy of the energy companies'. These individuals lack trust in the energy companies and are sceptical about their interests. As well as this, rising prices and frequent poor services experiences has led to a widespread view on the Panel that the energy companies are not doing a particularly good job.

These issues are the basis for real concern over an industry led approach. Most participants would agree that on current terms an industry led approach would not put the customer first and nearly all can see the advantages of loose regulatory frameworks – primarily to protect and support the consumers.

"Industry led is not concerned about consumers."

"I think the Government have to have a say in it – industry are more likely to make a mess - like the banking industry."

However, some of the more business-savvy participants feel the industry-led option offers consumers the freedom of choice and that competition can promote innovation and low prices. Other Panel members were quick to state that this is not real freedom of choice, as switching suppliers can be so tricky and confusing.

"We are at the mercy of the energy companies at the moment more Government involvement would be good."

Greater Government involvement is expected

Early on in the workshops, participants spontaneously stated that they expect Government to have to have greater involvement in the future. Perhaps due to recent visible intervention in the financial markets there are expectations that intervention in the energy markets is possible.

"You can't assume people will act in a noble way…I think Government led would be fairer to the consumer."

Most respondents at the workshops agreed overall that increased Government intervention in the energy market will lead to greater protection for the environment and the consumer. There is an expectation that Government has to take more of a leading role – partly because of the fact that energy has become such a big part of the household budget and thus demands Government involvement to ensure equity and transparency.

All the workshops suggested that consumers should not be allowed to be left alone to change their own behaviour, and that 'someone' needs to be responsible for editing consumer choice and providing them with simple and reliable information. Given the economic conditions there is an even greater expectation that it is the Government's responsibility to 'get involved'.

It is important to note, that although the default response from Panellists is the 'government should do something' – many participants are not always clear or sure about what this action should or could be, and use 'government' as an umbrella term that encompasses regulators and other government agencies.

Benefits of greater Government involvement

A number of benefits are thought to be likely:

- Reliability
- Simplification
- Incentives
- Reduced prices
- Protection for the environment

Reliability

Panellists feel that greater Government involvement in the energy industry will result in consumers being provided with more reliable information. As mentioned earlier in the report it is felt that this is necessary due to the mixed messages consumers are exposed to at present.

"We need to rely on the Government to speak for the consumer – to ensure that our voices are heard [in terms of] price, quality and the environment."

Simplification

It is expected that a Government led system will lead to a simplified system for consumers. Panellists feel it may result in fewer, clearer, beneficial tariffs. Panels such as Consumer First will mean the consumer voice is heard, and consumer interests are protected.

This point of view seems largely to be as a result of the fact that Panellists are aware of the role of Ofgem and how the industry works, which will influence their thinking in the best source of consumer protection.

Incentives

Panel members feel that the Government will be in a good position to offer incentives to those more 'active' consumers, for example, lowering council tax for homes that have solar panels.

> *"Encourage generating own energy in our own houses, provide us with incentives for insulation."*

Reduced prices

Some also feel that greater Government intervention would lead to the possibility of a reduction in prices as 'pricing wouldn't be based on shareholder value'. A minority suggest that the Government will help to ensure more of a level playing field for all.

> *"They would be able to genuinely look at prices. They can't make massive profits."*

> *"There is such inequity at the moment – elderly and pre-payment meters for example?"*

Help the environment

Government intervention is also felt to be the best way to protect the environment. They are perceived to have the resource to put the infrastructure in place to help support consumers and the power to act with more of a 'heavy hand' than the energy companies in encouraging consumers to act in a more environmentally responsible way.

> *"Government controlled means protection for the environment and the consumer"*

Drawbacks of greater Government involvement

Not all participants at the workshops feel that a greater level of Government intervention will bring about benefits for the consumer. Around a third of the Panellists are concerned that Government will not act for the 'general good' and voice a number of concerns:

- Imposition of restrictions
- Reactive not proactive
- Increased costs
- Lack of innovation

Imposition of restrictions

A minority feel the Government will impose restrictions on levels of energy usage. This has positive and negative impacts depending on the level of intervention. Some feel restrictions will help the environment and also reduce costs for the consumer and this may be the 'only way' to ensure a reduction in energy usage. However, many would be very concerned about extreme Government control, for example, where the Government decide when the heating gets switched on and off.

Reactive not proactive

Less than half of the Panel members perceive Government to be more reactive than proactive and given the state of the economy there are some concerns that energy will not be a priority focus, and that action will only be taken in the event of an energy emergency:

"I don't see the Government getting out of bed – the economy is top news nothing else."

"Trouble is politics will always take priority - they need an area that is dedicated in Government."

"At the moment it's not the main focus – not the top news story, people more interested in the economy."

Increased costs

Some perceive Government intervention will lead to increased taxes, and some more business savvy respondents voice slight concern that the costs of energy could actually increase without the presence of 'healthy competition

"Government's answer is to tax you – petrol, [plastic bags] – penalise those that can't afford it"

Innovation

There is some concern among the minority over how 'forward thinking and innovative' the Government will be in reality – a perception among some that the Government can be inflexible and slow to change. The group of more business savvy consumers on the Panel also note that competition promotes innovation and that too much Government control could stifle choice.

"Government can be inflexible and slow to change."

"Government led could lead to a loss of innovation. But the government should have a stake in the companies to ensure that they can't do anything wrong."

Future governance - summary

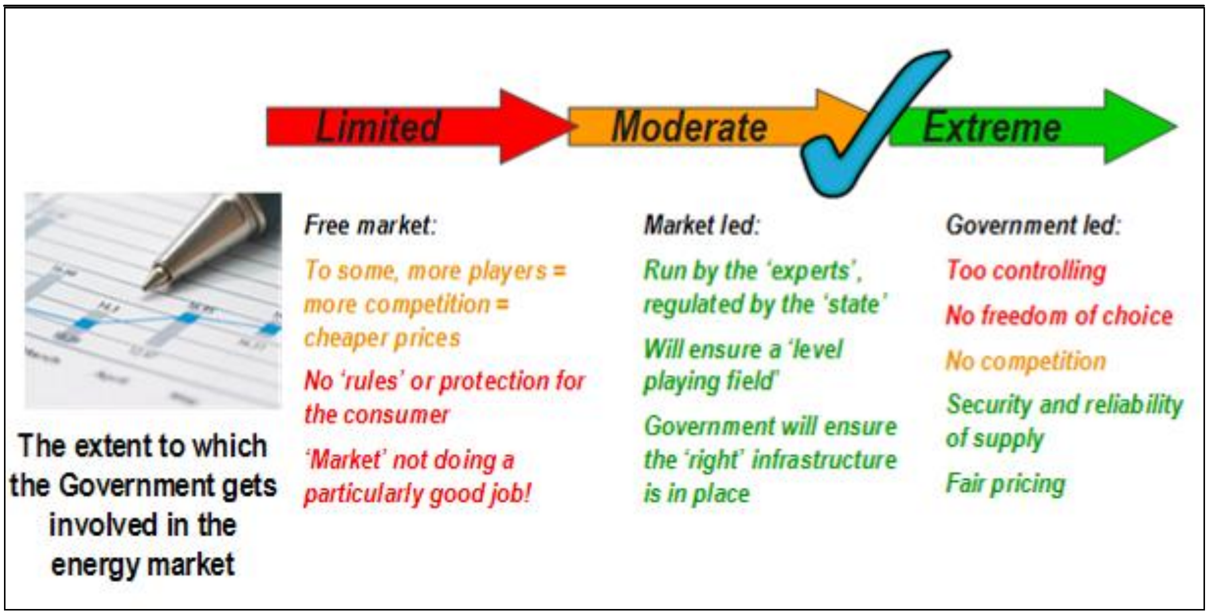
Limited Government involvement is concerning to most as many feel this would result in little protection for the consumer. There is also a strong sense that, currently, the 'market is not doing a particularly good job'.

A completely Government led market was felt to be too controlling and participants were concerned that this would result in no freedom of choice for consumers. There was also concern amongst some that the lack of competition could lead to a lack of innovation and healthy price competition in the industry. However, those in favour of a Government led market feel it could lead to fairer pricing and would also ensure security and reliability of supply.

The real idea falls between the two – industry developing and innovating with the 'safety net' of Government regulation. Panel members state this must be a partnership and both must work together to develop the industry whilst protecting the consumer. Thus, a market-led approach is deemed the most sensible and likely in the future. Participants feel this will allow the market to be run by the 'experts' (business) and regulated by the state. They feel this will ensure a 'level playing field' and also give Government the opportunity to put the 'right' infrastructure in place.

"It should be working in partnerships…A rich mixture of the two."

Future Governance – summary chart



4.6 Evaluation of possible future scenarios

At this point in the workshops a simplified version of the Long Term Electricity Networks (LENS) scenarios were shared with participants to inform the next discussion, these can be found in Appendix C.

As we found throughout the workshop, a number of participants found it very hard to engage with these scenarios – being asked to consider large scale future scenarios is challenging. As detailed earlier in this report they are more likely to consider smaller 'step changes' than larger widespread changes in society – but this is to be expected as it is more in context of the way they live their lives.

The discussion of the scenarios highlights that in reality there is likely to be increased engagement in the energy market from consumers in the future, but they need encouragement and support. It was clear that the environmental agenda remains at the forefront of people's minds, and there is a need to educate and to help them make the changes necessary to meet the challenges of the future without having to do it all alone. Discussing the scenarios reinforces the finding that consumers are more likely to consider their individual rather than collective priorities and that only Government intervention will fuel the necessary changes. However, there is also an expectation that suppliers need to 'up their game' and add real value to the situation.

When we asked Panellists to consider both which scenario they would most like to see happening in the next twenty years and which scenario they thought would be most likely, it is clear to see that there is a large gap between the ideal and the reality. In the future ideal scenario, consumers will act for the 'greater good', pull together in communities, to help 'make a dent' on global warming and will have enough information and money to make the 'right' choices.

Ideal – 'Dynamic Green Markets'

Most would like to see the future being a 'dynamic green market'. This scenario was felt to be forward thinking, promoting innovation and change. Participants are pleased to see that in this scenario work has been carried out to re-build the infrastructure and industry is 'in its place'. Most participants were pleased to see that the dynamic green market includes varied sources of generation, both micro and renewable.

"I would like the dynamic green market to happen, a focus on generation and renewable is prominent"

Panellists also liked the idea of this scenario as it puts the power in the hands of the consumer with the 'safety net' of Government support. This level was thought to be fair and sensible and they liked the fact that there was no 'heavy handed' Government intervention. Some thought that in this scenario there would be the potential for cheaper prices.

"Guidance from the Government without taking control, leading to cheaper prices, and helping the environment."

In this scenario consumers are 'concerned enough' to make changes and most warm to the idea that consumers will 'pull together'. As noted previously, there is an expectation that increased consumer interest will lead to a reduction in prices of energy efficient tools.

"Dynamic green consumers are active and concerned."

"Consumers concerned enough to feed back to Government who would be active and responsive."

Panel members believe a dynamic green market will lead to positive impacts on both prices and the environment as well as giving them the freedom to make the 'right' choices.

Reality – Government led green agenda

A Government led green agenda is felt to be the most likely scenario. As we have seen throughout this report, many believe there is a reliance on Government to make 'big changes' happen particularly due to issues surrounding affordability and infrastructure.

"Environmental concerns are championed by consumers but we rely on the Government to make things happen."

This scenario also takes into account Panel members' views that the energy companies are not delivering on environmental or price policies.

"In the Government led there will be more involvement to reduce global emissions."

Panel members felt that environmental concerns are likely to be championed by consumers, but they will need to rely on Government for support, information and the ability to 'make things happen'.

An economy that uses mainly hydrogen is felt to be 'in the making' by a minority that are familiar with this type of energy.

But, there are concerns that this is not the most realistic view of the consumer – people are individuals and it is unlikely that *all* consumers will sign up. There is a need to help willing customers make the right choices, and to edit the choices of those who are not willing. Also, there is an enduring mistrust of business motivations – suppliers needs to be kept 'in check'.

A small minority feel there will be little change

A small minority feel there will be little change in the energy market in the next twenty years. These individuals believe change/schemes will cost too much and think we are likely to 'plod on in the same old way'. This was also apparent from individuals and tables where there was considerable apathy and a difficulty in being able to conceptualise the future of the energy markets

"I don't think there will be much change in 20 years time – schemes will cost too much."

"You need planning permission to do these things; we'll plod on in the same old way."

These respondents feel the 'Fix it for me' scenario will be the most likely in the future, this perceived to be the closest to where we are at the moment – demanding yet slightly lethargic.

Possible future scenarios - Summary

Panel members found it challenging to consider all of the variables that will affect the energy markets of the future and found it particularly hard to imagine what the 'bigger picture' will look like and how some of the wider demographic changes will affect the landscape.

Affordability at present is the key barrier to making big changes to energy efficiency behaviour, and action is primarily fuelled by concern over the cost of energy and, to a lesser extent, the environment. Although consumers are expected to take some action, many find it hard to imagine themselves making large infrastructural changes without significant support from the Government (although there are expectations that somehow there will be changes made to 'how we do things'). Nonetheless, there is considerable resistance to the uptake of greener technology if this means major additional cost to consumers. There may be some acceptance of moderately greater expense to be greener if this means that consumers will be able to make greater savings in future and that the economic conditions do not directly oppose this tendency for additional spend.

It is expected that the Government will lead these changes and that it will need to intervene in the market to ensure that changes to the infrastructure happen and to provide the information needed for consumers to embark on some of the larger 'step change' behaviour. There is a sense that given the right infrastructure in place to support consumers, more individuals will be prepared to make an effort. While clear preferences were made in terms of the LENS scenarios that they expect to see, there were certainly variations in opinions and panel members seem aware that these conceptualisations of the future will be neither fixed nor mutually exclusive.

Appendix A – Agenda

Ofgem Consumer Panel

Event 2 Agenda (Future consumer section)

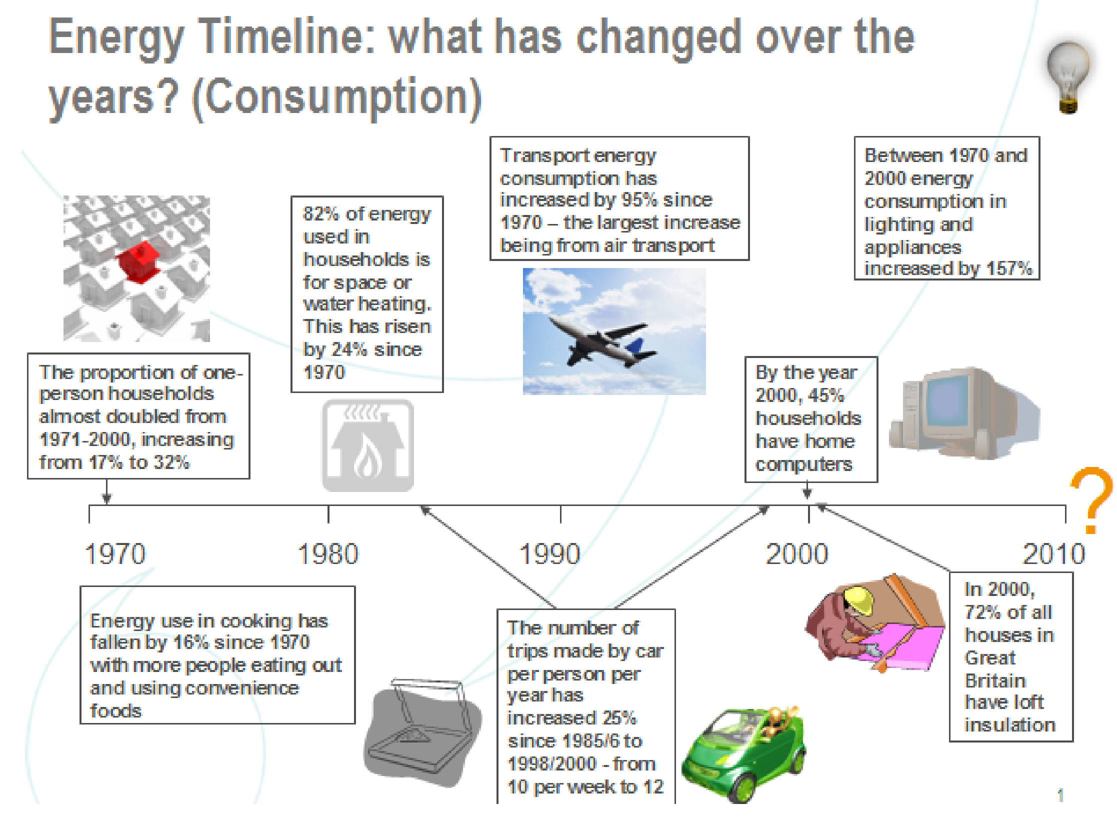
- PRE-TASK – To read one page summary chart of changes in the energy landscape over the past ten-twenty years to remind people that change can and does happen, and to think about what changes might occur in the next ten to twenty years

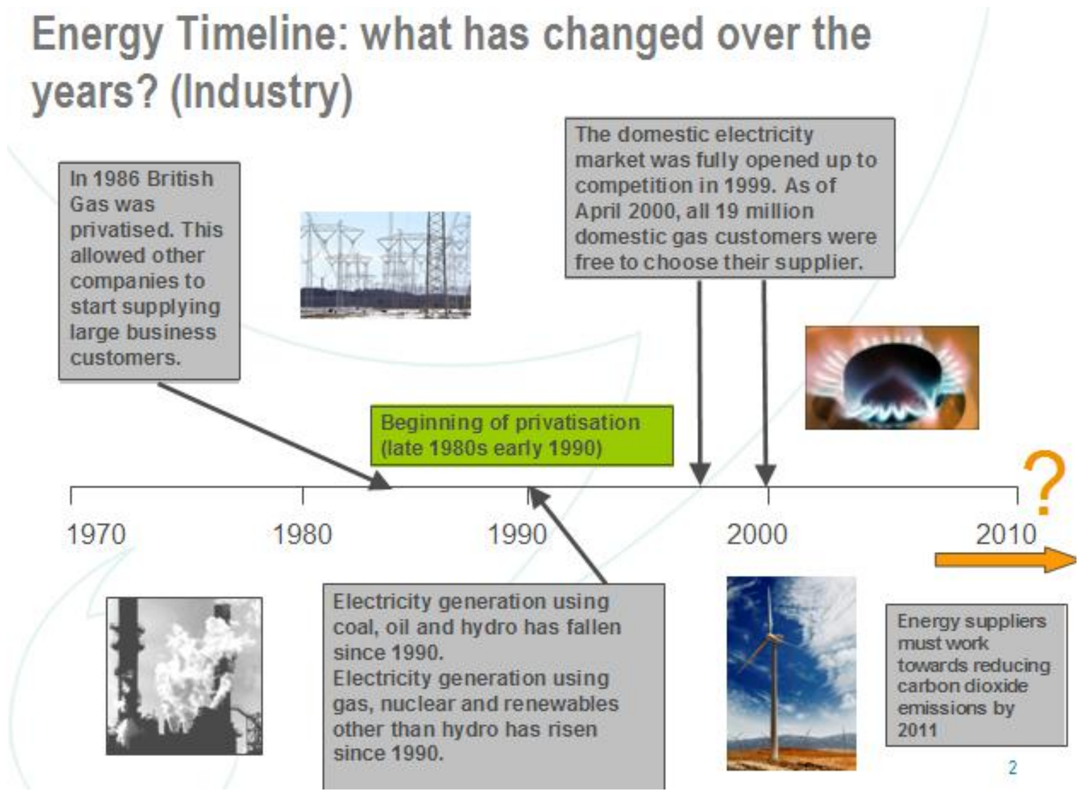
Timing	Item
17.30-18.00	**Arrival and Registration** General introductions
18.00-18.10	**IN PLENARY: Welcome and housekeeping (Opinion Leader lead facilitator)** • *Welcome and thanks for attending* • Ofgem CEO talking head video • Recap of findings from last workshop (4-5 slides) • *Explain the role of OL & facilitators and their independence* • *Details of refreshments* • *Toilets, health and safety regulations* • *Mobiles off* • *Introduction of Ofgem staff*
18.10-18.20	**BREAKOUT GROUPS: Warm up discussion - reactions to findings and any further thoughts** • What are your reactions to the findings of the last workshop? • Is there anything surprising? • Have your views on the energy market changed in any way since the last workshop? In what way? • Have you read or seen anything specifically that has changed your view of the energy market or that was of interest to you? What was it? • Have you made any changes to your energy use or supplier in any way since the last workshop? In what way?

<table>
<tr><th>Timing</th><th>Item</th></tr>
<tr><td>18.20 – 19.45</td><td>Price metric and billing discussion</td></tr>
<tr><td>19.45-19.55</td><td>BREAKOUT GROUPS: How might your needs as consumers in the home be different in the future?
Thinking about your everyday life, how your life might change over the next twenty years, what kinds of changes might you expect to see around the following categories in terms of energy use? What might stay the same and what might be different?
Health and wellbeing
Family and home
Employment and workplaceLeisure and entertainment</td></tr>
<tr><td>19.55 – 20.05</td><td>BREAKOUT GROUPS: Consideration of possible future scenarios
Facilitator to present example of possible future scenarios
Split respondents into pairs and give each pair a scenario to look over, and discuss between them. Ask each pair to present their scenario to the group to aid the following discussion</td></tr>
<tr><td>20.05 – 20.15</td><td>BREAKOUT GROUPS: Changes in consumer engagement with the energy market
Having looked at the possible future scenarios, what kind of things might change the amount of interest you and your family take in the energy you use and where it comes from in ten to twenty years time?
Spontaneous then prompted examples of:
Smart meters that allow you to closely monitor how much energy you are using in the home
Generating your own electricity for use in the home
Being part of local community based energy generation initiatives
What else?</td></tr>
<tr><td>20.15 – 20.25</td><td>BREAKOUT GROUPS: Changes in environmental attitudes/actions
Having looked at the possible future scenarios, what kind of things might affect you and your family’s attitudes to environmental issues in the home in ten to twenty years time?
Spontaneous then prompted examples of:
Higher awareness of green and environmental issues
Developments in technology
Cost of green domestic and leisure appliances and technology
Visible changes in the climate</td></tr>
</table>

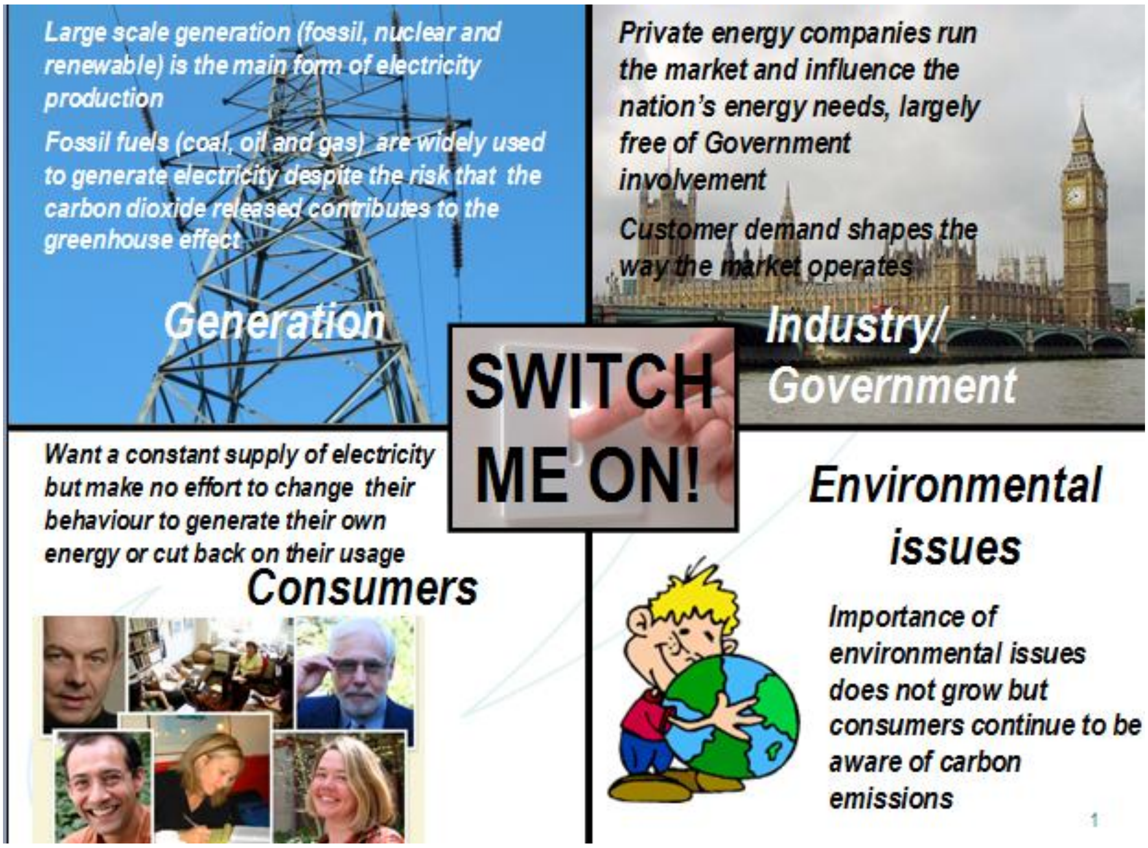
Timing	Item
	◦ Government action (what?) ◦ Business action (what?) ◦ What else?
20.25-20.35 Handout on examples of levels of Government intervention	**BREAKOUT GROUPS: Views on future governance** • Handout on different levels of Government intervention and read out • *To what extent do you think the Government and industry should be involved in the energy market in ten to twenty years' time?* • *What are the pros of different levels of Government and industry involvement?* • *What are the cons of different levels of Government and industry involvement?* • *Having considered these examples, which do you think would benefit consumers the most?*
20.35 - 20.55 Record discussion	**BREAKOUT GROUPS: Evaluation of possible future scenarios** • Each group to flipchart ideal and expected future scenarios, as well as 5 reasons why they have chosen each scenario (may be useful to split the group into 2 at this point) – *Which is closest to that which you would like to see existing in ten to twenty years time? Why is that?* – *Which is most likely to exist in ten to twenty years time? Why is that?*
20.55 – 21.00	**IN PLENARY** • *Thanks and close*

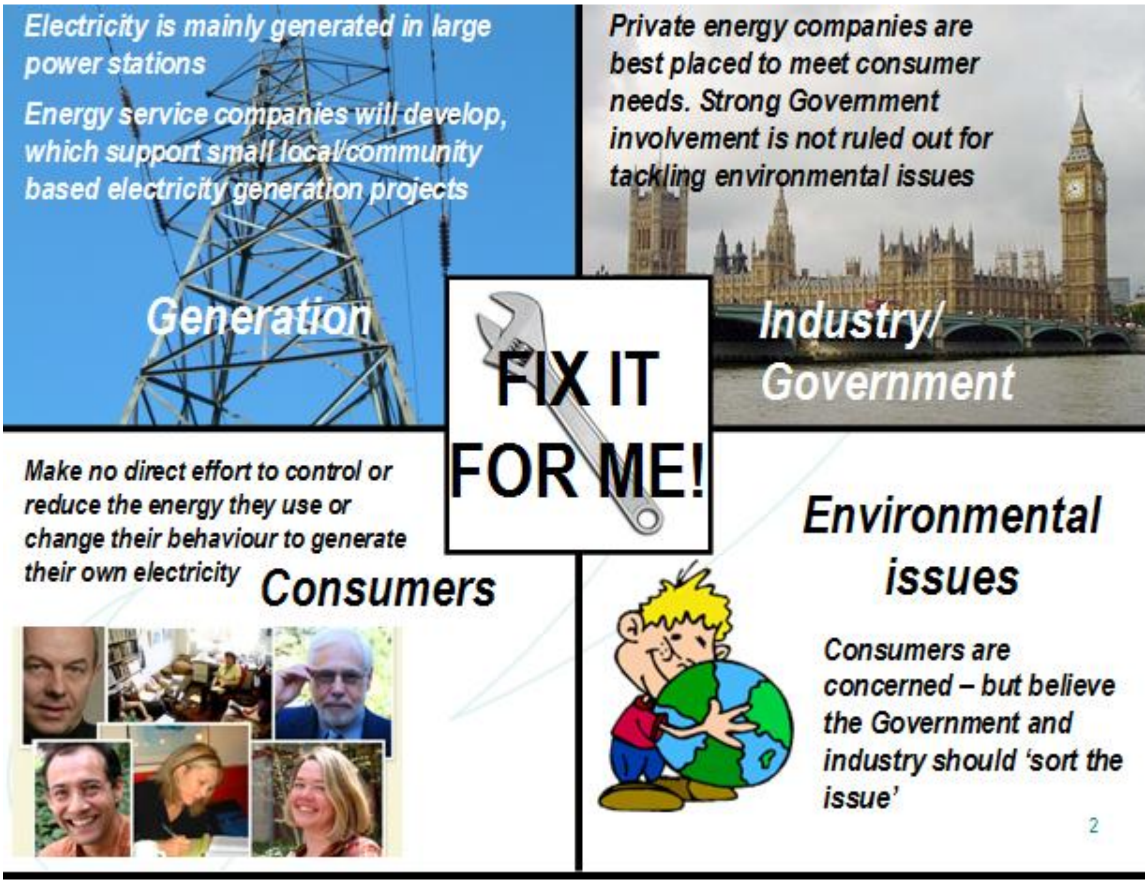
Appendix B - key developments in the energy industry over the past 20-30 years

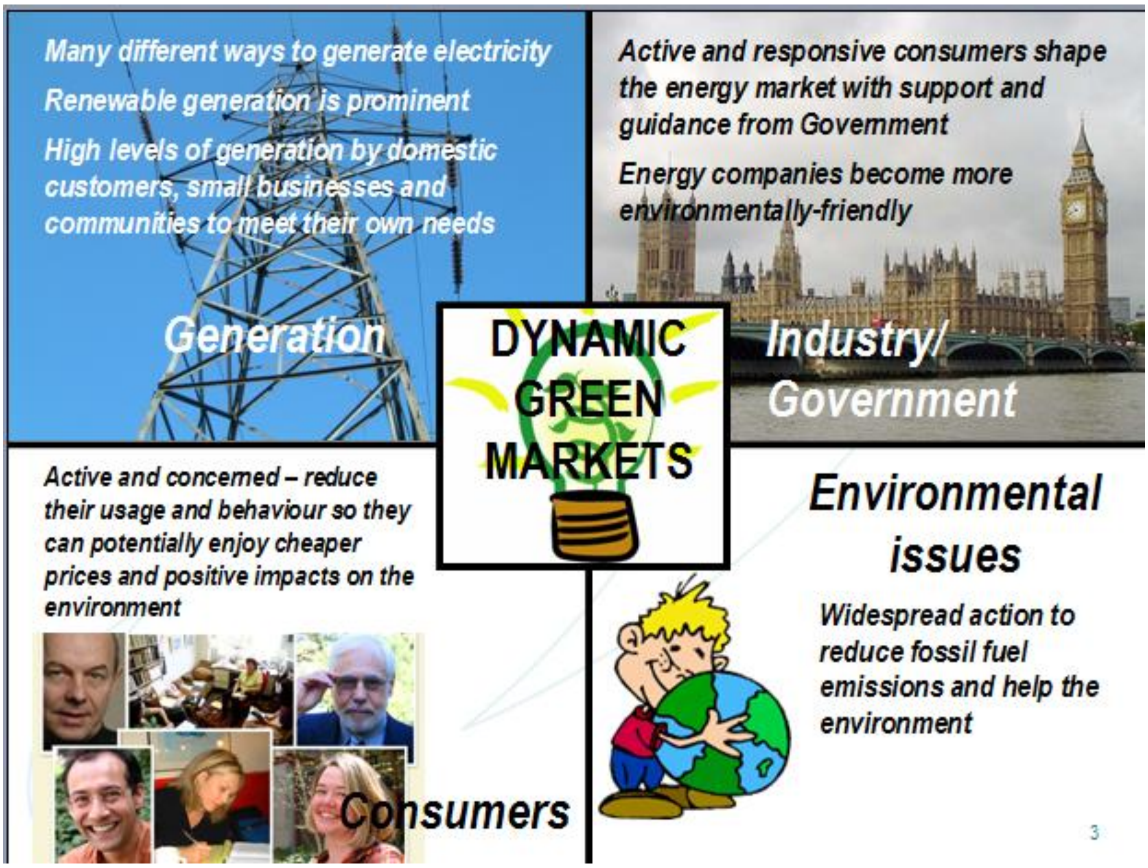


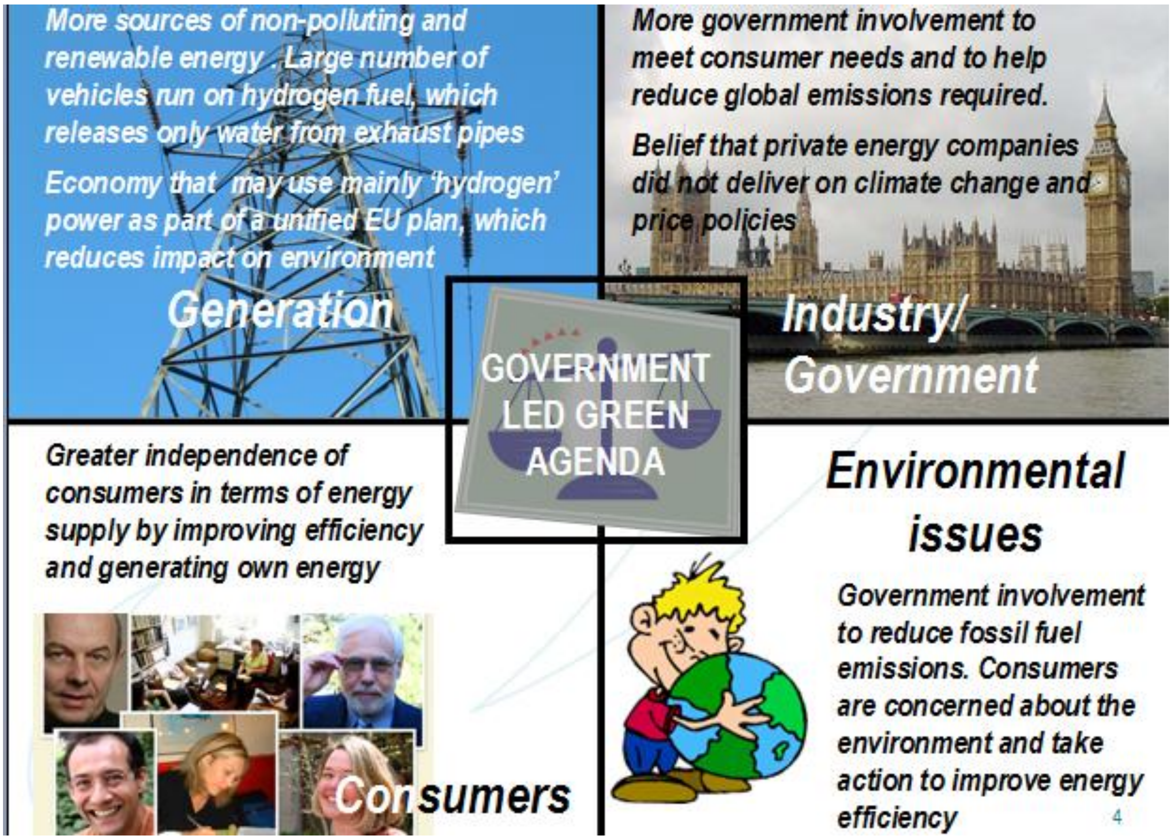

Energy Timeline: what has changed over the years? (Industry)
In 1986 British Gas was privatised. This allowed other companies to start supplying large business customers.
The domestic electricity market was fully opened up to competition in 1999. As of April 2000, all 19 million domestic gas customers were free to choose their supplier.
Beginning of privatisation (late 1980s early 1990)
1970
1980
1990
2000
2010
?
Electricity generation using coal, oil and hydro has fallen since 1990.
Electricity generation using gas, nuclear and renewables other than hydro has risen since 1990.
Energy suppliers must work towards reducing carbon dioxide emissions by 2011
2

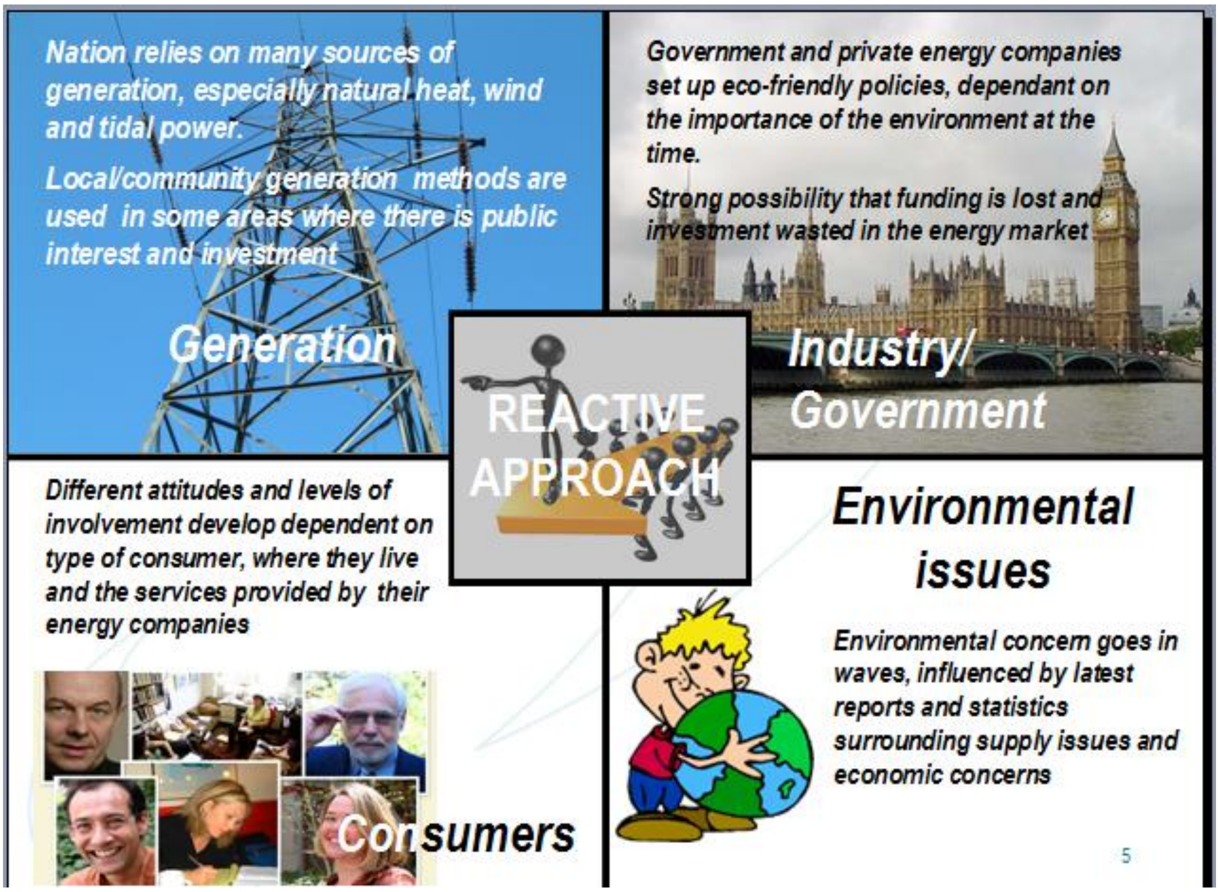
Appendix C - LENS scenarios hand outs




Electricity is mainly generated in large power stations
Energy service companies will develop, which support small local/community based electricity generation projects
Generation
Private energy companies are best placed to meet consumer needs. Strong Government involvement is not ruled out for tackling environmental issues
Industry/ Government
FIX IT FOR ME!
Make no direct effort to control or reduce the energy they use or change their behaviour to generate their own electricity
Consumers
Environmental issues
Consumers are concerned – but believe the Government and industry should 'sort the issue'
2


Many different ways to generate electricity
Renewable generation is prominent
High levels of generation by domestic customers, small businesses and communities to meet their own needs
Generation
Active and responsive consumers shape the energy market with support and guidance from Government
Energy companies become more environmentally-friendly
Industry/ Government
DYNAMIC GREEN MARKETS
Active and concerned – reduce their usage and behaviour so they can potentially enjoy cheaper prices and positive impacts on the environment
Consumers
Environmental issues
Widespread action to reduce fossil fuel emissions and help the environment
3


More sources of non-polluting and renewable energy . Large number of vehicles run on hydrogen fuel, which releases only water from exhaust pipes
Economy that may use mainly 'hydrogen' power as part of a unified EU plan, which reduces impact on environment
Generation
More government involvement to meet consumer needs and to help reduce global emissions required.
Belief that private energy companies did not deliver on climate change and price policies
Industry/ Government
GOVERNMENT LED GREEN AGENDA
Greater independence of consumers in terms of energy supply by improving efficiency and generating own energy
Consumers
Environmental issues
Government involvement to reduce fossil fuel emissions. Consumers are concerned about the environment and take action to improve energy efficiency
4


Nation relies on many sources of generation, especially natural heat, wind and tidal power.
Local/community generation methods are used in some areas where there is public interest and investment
Generation
Government and private energy companies set up eco-friendly policies, dependant on the importance of the environment at the time.
Strong possibility that funding is lost and investment wasted in the energy market
Industry/ Government
REACTIVE APPROACH
Different attitudes and levels of involvement develop dependent on type of consumer, where they live and the services provided by their energy companies
Consumers
Environmental issues
Environmental concern goes in waves, influenced by latest reports and statistics surrounding supply issues and economic concerns
5

Appendix D - Involvement of both Government and industry in the energy market handout

Involvement of both Government and industry in the energy market

Government controlled – e.g. the Government takes responsibility for generating energy as well as when and how much can be used (e.g. Moscow – heating switched on at fixed dates) – no competition

Government led – while energy may be provided by private companies, the industry is very tightly regulated and companies are limited in the changes they can make to their products and prices (low competition)

Industry led - Private energy companies operate in competition in the market within a loose regulatory framework set by the Government

Free market – Strong competition from private energy companies that run the market with no Government involvement

Involvement in the market

Government

Industry