

Consumer First - giving energy consumers a voice

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Ofgem's main priority is to protect energy consumers, both now and in the future. To make the right decisions on customers' behalf we need to ensure that we fully understand this diverse group of people - to help with this task we launched the Consumer First Programme in 2007.

Over two years later, Consumer First has built up a valuable bank of knowledge and insight into consumers' thoughts, behaviour and needs. Continually developing, the programme currently has three main pillars: Consumer First Panel; Consumer Challenge Group; and Research.

► Consumer First Panel

Our Panel is a group of 100 domestic energy consumers who meet regularly for three hour workshops to give us the "ordinary" person's perspective on topical and challenging energy issues.

The sample of Panellists are constructed according to a number of key demographics:

- Gender;
- Age;
- Ethnicity;
- Socio-Economic Group (SEG);
- Housing tenure;
- Rural/Urban;
- Fuel poverty; and
- Payment method.

We ensure that a number of Panelists are electricity-only customers and that the following energy suppliers are represented:

- British Gas;
- npower;
- ScottishPower;
- EDF;
- e.on; and
- Scottish and Southern Energy.

In the first year Panel members were drawn from the following five locations: London, Leicester, Beverley, Caernarfon, and West Glasgow.

► Consumer First Panel continued

In its first year, the Panel was a sounding board on key issues, including:

- **Energy bills**

What information do consumers want on their bills and how do they want it shown? **They told us** they want clearer and easier to understand bills with a simple indicator that will help them compare prices across suppliers. This has helped shape Ofgem's probe outcomes. From July 2010 suppliers will be required to make improvements to bills and to send customers an annual statement – helping consumers to engage better with the market.

- **Tariffs**

Consumers' understanding of different types of tariff and whether they thought tariff structure was likely to impact on their energy use. **Most agree** that tariffs need to be simple, consistent, honest and relevant to the individual user/household. This year, to help people understand their tariff and how it could impact on their energy use, Ofgem has introduced over-arching standards, one of which is that suppliers should not offer products that are unnecessarily complex or confusing.

- **Energy networks**

We wanted insight into ordinary consumers' understanding of the network companies that transport gas and electricity to their homes to highlight the key points that need considering when Ofgem sets the regulatory framework for these companies.

Panellists fed back that this area was potentially too complex for consumers, apart from issues to do with power cuts and help for vulnerable consumers. They suggested that independent specialist organisations are more suitably placed to respond to the complex issues on behalf of customers. There was also a deliberative session that involved an exploratory discussion about the future of the energy market, inspired and informed by Ofgem's Long-Term Electricity Scenarios (LENS) project, that covered the following topics:

- consumer engagement with the energy market;
- consumer engagement with environmental issues; and
- level of governance in the market.

The Consumer First Panel has been so successful that Ofgem has committed to it continuing for a further 12 months. Membership and locations have been refreshed for its second year, ensuring that the views put forward come from people with an average understanding of the energy industry.

The areas which the new Panel members are drawn from are Aberdeen, Aberystwyth, Bradford, Bristol and London. The new groups held their first meeting in October 2009 when they discussed what sustainable development means for consumers, to help inform Ofgem's work in this area.

► Consumer Challenge Group

The Group was set up in July 2008 to assist Ofgem in ensuring that the consumer view is fully considered during the 2010-2015 Electricity Distribution Price Control Review that will set the distribution element of electricity prices for the period 2010-2015. The Group of six consumer experts (four to represent the interests of domestic consumers and two to represent business consumers) acts as Ofgem's "critical friend" and brings additional expertise that we could not address through market research.

Membership

The Group has six members. They were appointed by Ofgem on the basis of their expertise in the interests of present and future consumers and energy sector knowledge. The members are appointed in an individual capacity and not as representatives of any organisational interest. The members are:

- Sharon Darcy: non-executive Director of Consumer Focus;
- Trisha McAuley: Head of Services and Advocacy at Consumer Focus Scotland;
- Jeremy Nicholson: Director of the Energy Intensive Users Group;
- Gill Owen: Chair of the Public Utilities Access Forum and Senior Research Fellow at University of Warwick Business School;
- Simon Roberts: Chief Executive of the Centre for Sustainable Energy (CSE); and
- Bob Spears: Chairman of the Utility Consumers Consortium (UCC).

The Challenge Group has been carrying out its task in a number of ways.

- Regular meetings with Ofgem staff to discuss key factors and Distribution Price Control consultation papers issued by Ofgem.
- Briefings from Ofgem staff on technical and other issues - including other work by Ofgem that may have relevance to the Distribution Price Control, such as the RPI-X @ 20 work stream and the LENS project.
- Meetings with the Authority's Distribution Price Control Committee which includes the Chair of the Authority and a number of other Executive and Non-Executive members.
- A meeting with the Distribution Network Operators (DNOs).

The Group has considered a number of issues and given its views to Ofgem. They have also encouraged Ofgem to provide a clear explanation – or 'narrative' – of how its thinking has developed over time. The Group hopes this will ensure that consumers are more able to understand the reasoning behind the approaches taken to what can otherwise be a set of rather technical issues.

Process

► Research

Ofgem draws on a wide range of research material to feed into the regulator's policy making, including commissioning a range of bespoke research projects and using research conducted by other organisations. All our own commissioned work is carried out by independent companies that use up-to-date and innovative research techniques that ensure they can seek out the views of even the hardest to reach consumers.

Some recent examples includes

- Ofgem introduced **new complaint handling standards** for energy suppliers in October 2008. To gauge customer satisfaction we undertook detailed research with a number of customers who had made a complaint to one of the big six energy suppliers in December 2008. While we found that suppliers had made the necessary systems investments and updated their processes in advance of the new standards coming in customers remained dissatisfied in the way they were treated. As a result, Ofgem has asked suppliers to develop an action plan to remedy the problems and we are monitoring their progress.
- To inform our work on the next price control of the **electricity distribution networks**, Ofgem commissioned a large programme of consumer research, including interviews with people who are medically dependent on their electricity supply, who have disabilities and those who live in areas that have had more or longer power cuts than average.
- Many of the key measures put in place following Ofgem's intensive **Energy Supply Probe** were informed by qualitative and quantitative research and our panel's

views on the proposed remedies. As a result we have introduced measures that will:

- ban unjustified price differences between payment methods;
 - require suppliers to include key information on consumers bills and send them annual statements; and
 - toughen up the rules on doorstep sales.
- Qualitative research among **vulnerable customers** (including people with low levels of literacy and numeracy, families on low incomes, people with disabilities and those without a good command of English). The findings of the research informed discussion in the lead up to Ofgem's **Fuel Poverty Summit** of 2008 and wins for consumers that came from this work include:
 - better and more readily accessible information about the range of help available for energy consumers including the national roll out of the Ofgem/Citizens Advice **Energy Best Deal** campaign, funded by Department for Energy and Climate Change, which will help many vulnerable energy consumers who can be more difficult to reach; and
 - data sharing provisions now included in the Pensions Act 2008 will aid vulnerable energy consumers in receipt of pension credit to receive assistance from their energy supplier.

► Evolving to keep consumers' interests first

Ofgem intends for Consumer First to continue to grow in strength. The programme will be expanded and adapted to ensure we are equipped to keep pace with the increasing challenges facing us in the future. Over the coming year we will be exploring with consumers issues such as smart metering, demand-side response and security of supply.

Keep up to date with the latest consumer news from Ofgem with our regular **Consumer Bulletin** and new Consumer First publications on the Ofgem website: (<http://www.ofgem.gov.uk/Consumers/CF/Pages/CF.aspx>)

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