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Anna Stacey
Settlement Reform/ Charging and Access Team
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

28th March 2019

Dear Ms Stacey,

Re: Call for evidence: potential impacts on consumers following market-wide settlement reform

We are grateful for the opportunity to respond to this call to evidence and are pleased to see that consumer impacts are being given such prominence. Our response to the consultation focuses on Question 2 and how to engage consumers with their energy and these new tariffs.

Smart Energy GB is responsible for the national consumer engagement campaign supporting the smart meter rollout. In our role we have gained a number of insights from research with consumers and have substantial experience in how to engage consumers in energy transformation. We believe the advent of new tariffs and new ways to buy energy is an exciting opportunity for consumers to engage with the market, save on their energy costs and for our nation to decarbonise. The prize of consumers being able to benefit from cheap, green and local energy is both valuable and necessary.

From speaking to consumers, we know there is a positive appetite towards new offers and Time of Use tariffs. However, we have also found that for take up to be successful, the offer to consumers need to be appealing and communicated effectively.

Smart meters are getting people ready for the smart energy future

The rollout of smart meters is an essential step in enabling new tariffs and business models. Not only is the technology itself essential, but smart meters are empowering consumers to engage with their energy use and laying the foundations for the smart future.

People with smart meters consistently tell us that they are changing the way they use energy after getting a smart meter installed. *Smart energy outlook*,¹ our survey of 10,000 energy consumers, reports that 8 in 10 people with smart meters are changing their behaviour to save energy. A third of people told us that they check their IHD every day, and 14% check their App every day. Respondents further told us that they have more confidence in understanding how much energy they use, their bill and what the best deal is for them.

Smart meters act as an important stepping stone for additional engagement. We found in our Smarter Living Research², that people with smart meters were more interested, and found greater appeal, in smart energy services such as automation.

¹ Populus for Smart Energy GB (2018) *Smart energy outlook*

² Smart Energy GB and Incite (2017) *Smarter Living*



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Communication about Time of Use tariffs and incentives

Our research has consistently found consumers are positive and open to new offers and tariffs which will become available in the future.³ We found a similar picture when we asked people about their views on the concept of Time of Use tariffs⁴. New tariffs such as these will bring huge benefits to consumers, but it will be important to ensure the offers are appealing and that these are communicated effectively.

Around half (45%) of people said they found the idea of a Time of Use tariff appealing. A further third were unsure, and only a fifth said they found the concept unappealing.

However, the same research also found that nearly 40% of people had a concern relating to the idea of Time of Use tariffs. These concerns were practical, relating to questions over the cost and whether using a tariff would negatively affect their lifestyle. People have not unsensible questions over whether it will become more expensive to cook their dinner at the time they want to. These concerns, though legitimate, are ones which can be easily addressed through communications and reassurance.

People told us that the cost savings would be a major incentive for taking up one of these tariffs, with nine in ten saying it would make them more appealing. For most people (46%) these savings would also need to be significant, between £100 and £200 per year, with a fifth saying a saving of under £100 a year was an adequate incentive.

Understanding the wider impacts on the energy system was also important to consumers in considering these tariffs. Over two thirds said it would be more appealing if you knew there would be a positive environmental impact. 60% also said it would be more appealing if they knew it would be better for our national grid.

In our experience of running the consumer engagement campaign to drive appetite for smart meters, the combination of messages of 'good for me and good for the nation/environment' have been powerful. In the latest *Smart energy outlook*, 12.7 million people said they were willing to seek or accept a smart meter in the next six months.

Whilst appetite for smart tariffs is strong, the concerns consumers have, mean a positive and trusted voice will be necessary to communicate the benefits and reassure consumers who have concerns around new tariffs.

There are a number of changes coming into effect within the energy market; the smart charging of electric vehicles, electrification of heat, battery storage, faster and automated switching, and potential to generate energy locally, that consumers will need support navigating. It would be sensible for an organisation to communicate to consumers about these wider changes, and how they work together, to help consumers get the best of the market.

This will also be essential to ensure that consumers who may face additional barriers in engaging with this technology, are also not left behind and don't end up on the worst deals by default. Whilst all consumers will benefit from served energy that is greener, cheaper and more local, some consumers will benefit more than others. People missing out on the ability to save money through participation has been a problem in the analogue energy market, where we have seen low engagement and shopping around, particularly amongst those who can least afford it.

³ We have conducted a number of pieces of research in this area including *Smarter Living (2017)* and *Attitudes to Lifestyle Service Companies (2018)*

⁴ Smart Energy GB and Lightspeed (2018) *Research into attitudes towards Time of Use tariffs*



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The design of tariffs will drive take-up

Fundamentally, the design of the tariff and 'offer' to consumers will be essential in getting people to take them up. We know that some people will face additional barriers in engaging with these new tariffs and there needs to be support in place to for this group. But in developing tariffs, it will also be necessary to ensure that they are an attractive proposition to consumers as well as tariffs which work well for the grid.

Our Time of Use Tariff research⁵ found that certain tariffs structures had greater appeal to consumers based on their working patterns. Those working full time were more likely to say that free energy on a weekend would be appealing (83%), and 67% found the idea of cheaper energy at points during the week appealing. Those who worked part time were more likely to have the opposite view, with 80% finding the idea of differently priced energy on weekdays appealing and 75% saying they found free energy at a weekend appealing.

As cited above, one of the biggest areas of concern was around being forced to change your lifestyle, and facing inconvenience. To address this, and increase appeal, they need to be designed around consumers lifestyles. This includes good messages around the potential for automation, to make demand side response possible with low levels of consumer action. For example, our *Smarter Living* research also found that age and whether or not there were children in the home, had a large bearing on attitudes to new ways to buy energy. Young families particularly liked the idea of automating appliances to turn on when energy is cheapest, seeing a financial benefit requiring little effort as time was seen as a constraint.

We are highly supportive of the changes coming to the energy market, and strongly believe they have the potential to transform the consumer experience and our energy system for the better. New offers and tariffs will also further help us to encourage the take up of smart meters as an enabler of these new offers. However, from our experience of communicating the benefits of smart meters, we are also clear that communication and clarity of the benefits will be essential in driving engagement with these new tariffs.

If you would have any questions relating to our response or would like any further information, please contact Rebecca Yates on rebecca.yates@smartenergygb.org or on 020 3019 1053.

Yours sincerely,

Rob Cheesewright
Director of Corporate Affairs

⁵ Smart Energy GB and Lightspeed (2018) *Research into attitudes towards Time of Use tariffs*