ofgem Making a positive difference for energy consumers

Pioneering policy making

A case study from Ofgem, September 2019

Version number 1

Contents

About this case study

The context

"The world is changing faster than ever. New technology is creating new industries, changing existing ones and transforming the way things are made. We need a more agile approach to regulation, that supports innovation while protecting citizens and the environment." - Regulation for the Fourth Industrial Revolution

Across every sector in the UK there is recognition that regulation will need to change in order to make the most of emerging trends and markets while protecting citizens. The energy sector is no different. These are just a few of the questions Ofgem has been asking itself in response to this in its Strategic Narrative for 2019-23:

- How might Ofgem become a more adaptable organisation that can respond to changes in the retail energy market?
- How might Ofgem allow innovation to flourish while protecting the interests of current and future consumers?

What is this case study about?

In 2018 Ofgem won a grant from the Regulators' Pioneer Fund that helped us begin to explore these questions. The grant allowed us to experiment with running a policy project in a different way, borrowing approaches used to develop new products and services in the private sector. We wanted to test whether these ways of working could help make Ofgem more adaptable, while contributing to our policy work looking at the future of the domestic energy market. This case study shares lessons learned from this work.

The project

What was the policy project we worked on?

The Future Energy Retail Market Review is a joint initiative by Ofgem and the government's Department for Business, Energy and Industrial Strategy (BEIS). The review aims to ensure that future energy consumers receive a fair deal and benefit from access to innovative new services.

One area of the review focuses on exploring policy options to safeguard people who don't or can't shop around for better energy deals. We trialled the new ways of working in this part of our work in particular.

At the time of writing, a consultation is underway to gather feedback on potential changes. The research described in this case study has fed into this consultation.

What were the new ways of working we explored?

The grant allowed us to organise the work of our project team in a new way, drawing on Agile project management techniques. We also used user-centred design methods to involve consumers in shaping policy. This involved prototyping and testing policy ideas in user research, mainly with consumers who were in vulnerable circumstances.

How to read this case study

This case study is divided into two main sections, reflecting the two stories we want to tell. You can read one or both sections and the conclusion, depending on your interest.

Part one is about the new ways of working we have trialled in our policy project. It shares what we have learned about applying these methods in a regulatory context, including what worked and what didn't.

This is for: regulators, policy makers, and others in public and private sector organisations interested in learning about more effective ways to run projects.

Part two summarises what we learned from consumers about policy options being considered to protect consumers in the future energy retail market.

This is for: energy sector organisations and policy makers. It may also interest those working in other sectors where 'loyalty penalties' are an issue, as well as organisations working with people in vulnerable circumstances.

Part one:
Innovation in policy making

What this section covers

"I think our biggest success was getting policy makers out of the office and face to face with energy consumers, speaking to them informally early in the policy-making process. This qualitative research had a huge effect on how we were designing regulation, and our understanding of who we were designing it for.

"Organising ourselves to work in an Agile way had more mixed results. Some practices worked well, but we found it hard to adopt a complete Agile approach within an organisation that is not yet fully working in that way."

- Miranda Dixon, team member

- Agile project management and user-centred design have transformed the way products and services are made. Grant funding gave us the opportunity to trial them in a regulatory context.
- The Agile method is a flexible, iterative approach to project management that involves delivering work in incremental cycles. It also encourages collaboration and continuous improvement within the team.
- We found applying Agile to policy making was successful up to a point. Some techniques were effective, and many team members said they would use them again. However, implementing a complete Agile approach within our project proved challenging.
- User-centred design is about listening to the needs of the people we are designing policies for, and evolving possible solutions with them.
- We prototyped the policy ideas we were considering, making them tangible so people could react to them. Then we spoke to different groups of people in the street and in their homes, individually and in groups.
- We did not have a separate research team. Policy makers were involved throughout, building a depth of understanding and empathy they could not get from reading a research report. This proved very successful, with everyone involved saying they would want to use it again on another policy project.

Agile

Agile is an approach to creating high-performance project teams. It involves collaboration, continuous improvement and delivering work in incremental cycles.

What is Agile project management?

In traditional project management, projects tend to follow a linear sequence, with goals planned in advance and fixed throughout the course of the project. In software development and other areas, many businesses have rejected this linear approach in favour of the more iterative Agile method. Rather than following a rigid plan, teams deliver projects in incremental chunks, each of which delivers clear value. This allows for feedback, experimentation and course-correction throughout the project.

Agile practitioners argue that the method has several benefits. Unlike the traditional approach, where projects begin to deliver value only at the end of the project, the Agile method delivers value from the outset. The fact that there is continuous planning and feedback throughout the process reduces the risk of project failure and ultimately leads to a higher quality product.

Our approach

The Agile approach is suited to long-term, complex projects where requirements tend to change over time, much like policy-making and regulatory reform. We were keen to test whether the method would bring value to our policy project.

With the support of an Agile coach, we tried this by delivering work in two-week cycles (sprints), each with an agreed set of outcomes. During each sprint, the project team met daily to update everyone on progress and assign work (daily stand-ups). Each sprint ended with a meeting to share what we had learnt with the wider review team (show and tell), as well as a discussion on how we worked together and what could be improved (retrospective).

We found applying Agile to policy making was successful up to a point. Some techniques were effective, and many team members said they would use them again. However, implementing a complete Agile approach within our project proved challenging.

Applying Agile principles:

Planning priorities for sprints

At the start of each two-week sprint, we chose the goals that we wanted to achieve and broke these down into tasks. The aim of doing this is to ensure that we focused on the highest priority tasks during each sprint. However, in practice we found it hard to agree on priorities. As a result, our planning meetings sometimes lasted for hours. In addition, urgent requests from stakeholders outside the team always seemed to creep onto people's to-do lists. This reduced the value of the planning process, as it was difficult to ensure that each team member's time was spent on the highest priority activities during the sprint.

Our conclusions on what could be done differently in future to help with this issue are in the *Recommendations for future projects* section of this case study.

"We would spend lots of time planning our priorities, but we wouldn't stick to them."
– Krista Halttunen, team member

Applying Agile principles:

Working incrementally

Breaking down our work into small, incremental tasks had mixed results. On the one hand it forced us to debate priorities and align our goals, even if this process was uncomfortable at times. However, some feel strongly that we optimised productivity in the short term at the expense of achieving longer-term goals. We remain unsure about how to apply this approach to policy projects effectively.

We did find that the incremental approach was helpful in building a team culture of continuous improvement. At the end of each two-week sprint, we held a Retrospective meeting in which we looked back at what went well and what could be improved for next time. The atmosphere during these meetings was generally quite lively, and people appreciated the opportunity to vent frustrations and put in place a plan to stop them recurring.

Applying Agile principles:

Collaborating and empowering teams

In the Agile approach, team members can choose how to organise their work. However our project had diverse stakeholders, and senior leaders often needed to be involved in key decisions. This meant that no-one within the team was able to act as the decision maker, and the team's direction could often change as we received different steers from outside the team. This was perhaps a downside of applying these methods to a high-profile strategy project with a broad scope.

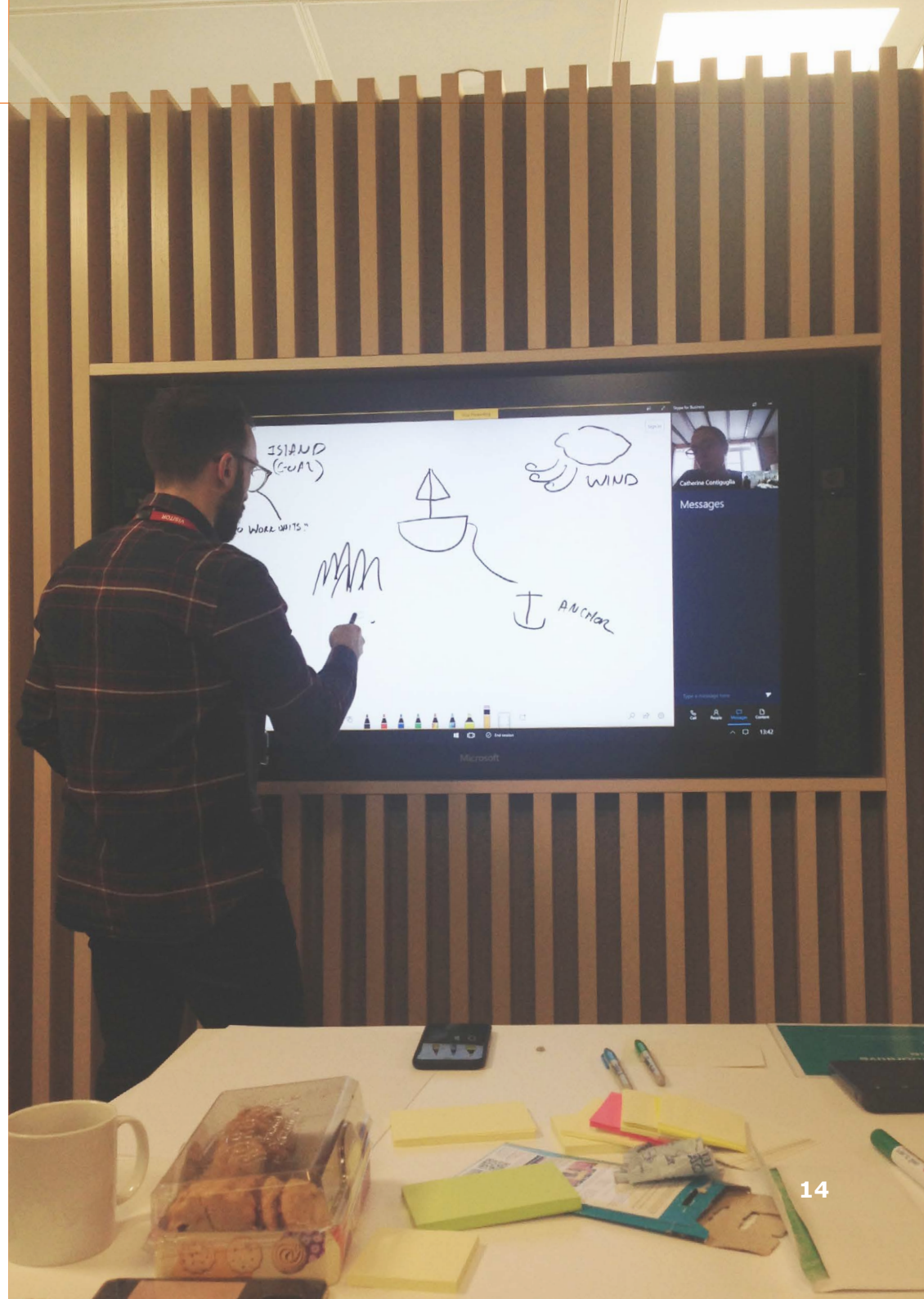
The Agile method also encourages shared ownership of projects and assumes that, although people have varied area of expertise and interest, people often have the skills and permission to work on any given task. This approach is at odds with the historic norms at Ofgem, where people work on one specialist area for many months and have clear ownership over it. However, after some initial discomfort the team seemed to enjoy this way of working. They particularly saw the value in our daily stand-ups, which many felt were useful in keeping everyone up to speed on progress and what team members were working on that day.

"Adopting the Agile approach has led to shorter, more decisive meetings. If you're standing up and your laptop is down, you have to pay attention."
- Sarrah Marvi, team member

Applying Agile principles:

Aligning our approach

One of the key challenges we faced in implementing an Agile approach was the fact that we were working as part of a wider, cross-organisational team divided into three separate sub-teams. As a result, co-ordinating our activities was difficult, and we found no magic bullet to solve this. However, show and tell meetings were a great tool for aiding communication and cross-pod working, and our retrospectives gave us a valuable opportunity to pause and reflect.



Agile techniques: pros and cons

Practitioners applying the Agile approach use certain practices and techniques, and we tested several of these during our project. Although some of our findings are outlined above, we have set out what we learned about these practices in more detail here for those interested.

Sprints

Generally sprints were helpful, aiding focus and collaboration. But sometimes the team felt it would have been more efficient to work towards a more polished output.

Planning sessions

At the start of each sprint we had a planning session for the team to debate which tasks to work on over the next two weeks.

Often we would narrow these down to the tasks that seemed essential, only to find we still had more work than seemed achievable. This led to valuable but sometimes fraught conversations about which tasks to drop. These sessions could last up to two hours, which sometimes led to a sense that too much time was consumed by planning.

Stand-ups

Each morning we had a short standing meeting. Each team member shared what they had done yesterday, and what they planned to do today. The aim was to keep everyone up to date on progress, and to make sure team members got any support they needed.

Although these meetings are intended to be short, we found at first that they sometimes led to in-depth discussions. We resolved this through small changes such as strictly timing the meetings and appointing a facilitator to flag if someone strayed off-topic. Team members say they valued stand-ups, and will continue to use them in future projects.

Retrospectives

We held a short ‘retro’ meeting at the end of every sprint to reflect on what did and didn’t work well during the sprint, and decide on improvements to make going forward.

These meetings were always enjoyable and useful in revealing what team members were finding helpful or challenging. However, if we were short on time these meetings were often the first to be cancelled.

Agile techniques: pros and cons

Show and tell

We held a presentation at the end of each sprint where our sub-team would share work they had completed with the wider review team.

According to the Agile approach, anyone interested in the project should be invited to these meetings, as this reduces the number of stakeholder update meetings necessary during the sprint. However, as our wider team was made up of 25 people split across three sub-teams, we found this difficult to do in practice. As a result we mainly used show and tells to update our wider team. Team members found them a useful way to keep up with fast-paced changes and interdependencies within the project.

To-do board (Kanban)

We used a workflow visualisation tool known as a Kanban board. This is a list of the tasks we wanted to complete within the sprint, written up on sticky notes and stuck to the office wall under three columns – "to do", "doing", and "done".

We found it helpful to add a fourth "reviewing" column for documents that stakeholders outside the immediate team were reviewing, and therefore might need further work another day. We also tried a digital version using Asana. This was easier for remote working, but we preferred a large physical board everyone could huddle round.

Backlog

We created a long-list of possible tasks that the team could work on next. In typical Agile practice, when a team member or an external stakeholder thinks of a new piece of work they would like the team to do, they add it to the backlog. In the planning session at the start of each sprint the team picks which tasks on this list to prioritise.

However, we soon stopped using the backlog. Stakeholder needs and priorities frequently shifted, so it quickly became unmanageably long and out of date. This was likely related to the broad scope of our project, so a backlog could still be useful for policy projects with a narrower scope.

User-centred design

Taking a user-centred design approach places users' needs at the heart of our thinking.

What is user-centred design?

User-centred design is a process that involves users in the design of a product or service they are going to interact with. It's also about making abstract design ideas tangible through prototypes, and sharing these with people to gain insights that are immediately actionable. It's a powerful way to find out what works, what doesn't and why, enabling a change of course where necessary.

Our approach

In user-centred design, designers use methods such as prototyping and user research to develop an understanding of user needs. We used a combination of these methods at different stages of the project, building on the consumer insight work that is already ongoing at Ofgem. Two specialists were embedded in our team to help guide this process and develop skills and knowledge.

We wanted to test whether getting policy makers to work with energy consumers early in a project would be helpful. We had two key aims in mind:

1. To give the whole team a holistic understanding and empathy with the people we were designing for.

2. To test our policy ideas and assumptions directly with energy consumers.

Technique 1:

Assumptions mapping: separating what we know from what we think we know

In any problem-solving project, the design team will hold a range of assumptions about the nature of the problem, including which solutions will work and which won't. It's important to test these to ensure that project decisions are based on evidence rather than assumptions that may or may not turn out to be correct. (In our policy design work, we considered an assumption to be something that would have to be true for the policy to succeed).

What we did

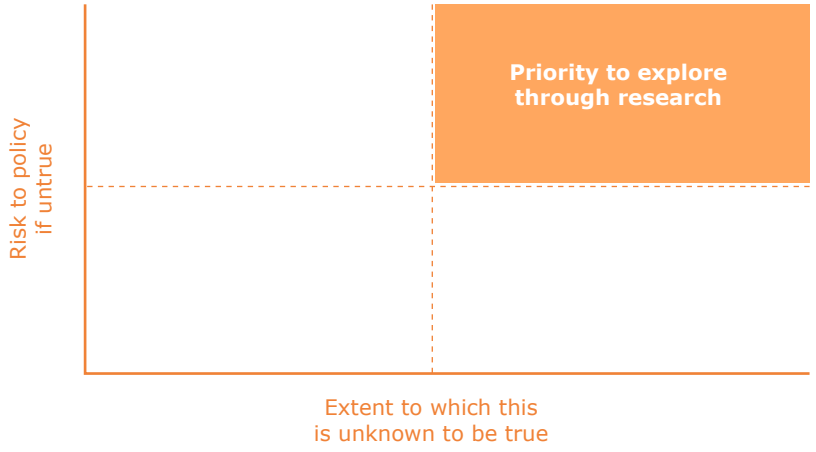
We used an exercise called assumptions mapping to begin to unravel the complexity of policy options. Team members and internal experts mind-mapped the assumptions they held about a policy option. We then ranked these assumptions on two axes - risk to policy and level of uncertainty. The aim was to prioritise what we needed to test with consumers – both in terms of policy options, and the riskiest assumptions we held about each option.

What we learned

Assumptions mapping was a useful exercise overall. We found it a helpful way of aligning the team around the same research priorities, and clarifying our decision-making.

The main challenge was in deciding which assumptions we needed to test. The scope and complexity of the project meant we were working with a very wide range of assumptions, and this made it difficult to prioritise them. This would probably be a common challenge for most policy projects, which are usually highly complex and broad in scope.

In retrospect, we feel that narrowing the scope of the research project and the number of assumptions to test would have helped maximise the effectiveness of this exercise.



Assumptions mapping: prioritisation for research

Technique 2:

Journey mapping: understanding how consumers might experience a policy

Journey maps are visual representations of every experience users will have with a service. By mapping out these "touchpoints", designers can begin to see not only how and where users will interact with a service, but also what feelings they might experience at each stage of the journey.

What we did

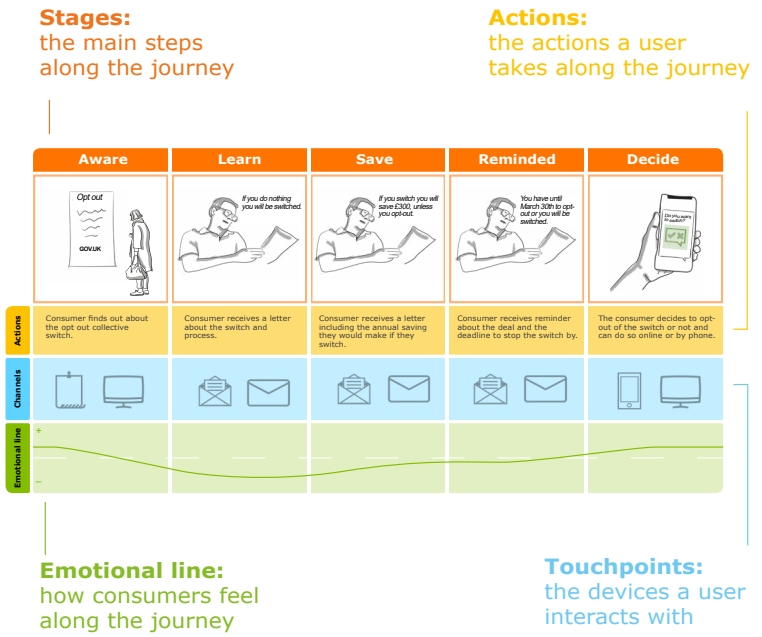
We ran workshops to map out how policies might look from a consumer's experience. The maps included a range of factors, including consumer motivations and emotions at various touchpoints.

What we learned

Visualising and interrogating the way consumers might experience a policy was helpful in furthering our thinking about policy ideas. It revealed for the first time that team members had differing opinions about how policy options would work, and this sparked productive debates. Journey maps allowed us to see clearly where decisions needed to be made, and where we needed more input from consumers.

The exercise was also useful in helping us approach policy options with energy consumers in mind. Team members said the exercise helped shift their policy design approach, making them think about policies in terms of their emotional impact on consumers rather than from a purely economic perspective.

Looking back, we questioned whether we had carried out the mapping exercise at the right stage in the project. We now feel that the granular level of detail these maps provide would bring greater value closer to the implementation phase.



User journey map: Opt-out collective switch

Technique 3:

Prototypes: making policy ideas tangible

In user research, a prototype gives users something that feels real and tangible to discuss and react to, generating more insightful, valuable feedback.

What we did

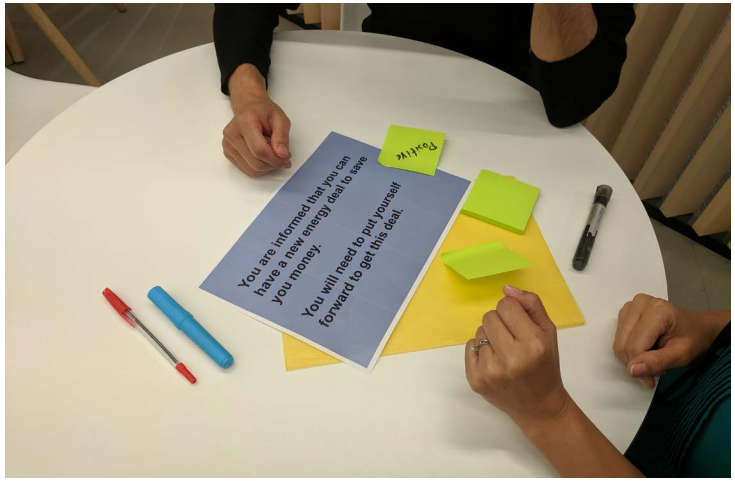
We created a number of prototypes to test policy ideas in our user research. These included a realistic mock-up of a letter that consumers might receive as part of a policy roll-out. Alongside these, we created more abstract visual prompts, such as an illustration of speech bubbles representing a radio debate about a policy. In each case, the prototypes and prompts were designed to represent an aspect of a policy option we wanted to test, rather than expressing the option in its entirety.

Prototype: Advert for an opt-out collective switch

What we learned

Our prototypes were useful in prompting feedback. However, in some instances, we found that their realistic nature could be counterproductive in user research. Research participants sometimes focused on implementation details, such as dates or design elements within a mocked-up letter. In these cases, lifting out simple statements from the letters and showing them in isolation was often a more effective way of helping research participants focus on the policy ideas we wanted to test.

Based on our experience, we feel that while realistic prototypes can be helpful in testing the roll-out of designed policies, visual prompts and statements are better for testing early-stage policy concepts.



Policy statement: Opt-in collective switch

Technique 4:

User research: involving consumers in shaping policy

User research is central to the user-centred design approach. Designers go out to meet people who will be using the product or service, talking with them and observing them. By doing so, they gain insights into users' needs, motivations, attitudes and behaviours that feed into the design process.

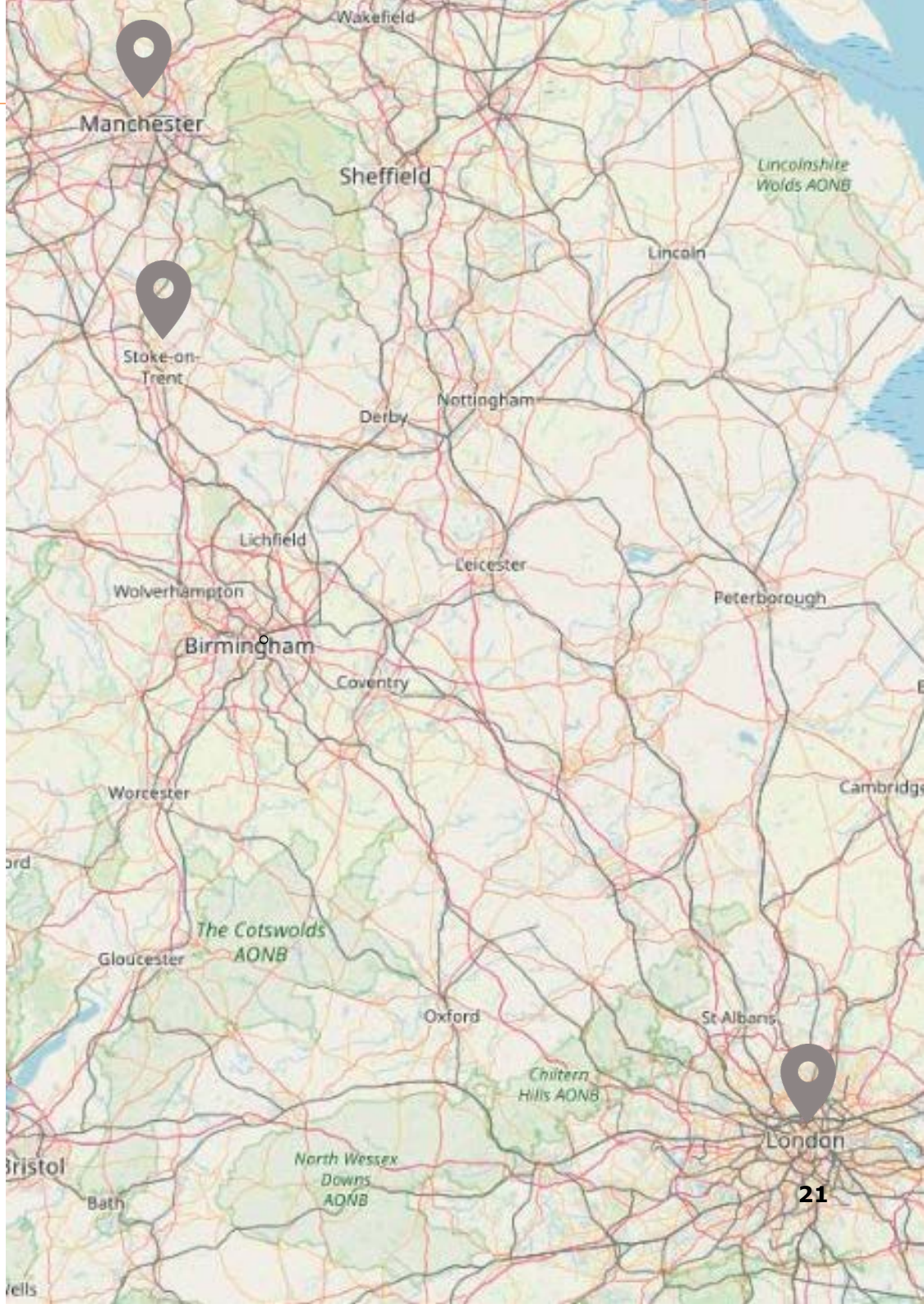
What we did

User research involves a range of techniques and approaches, and we used several of them in our policy research process. We worked with our legal and research teams at Ofgem to make sure that appropriate risk mitigation was in place, and our ethics sound, before we began carrying out user research.

Then we began with ad-hoc research, approaching people in the street and other public areas. Later, we carried out 25 home visits, pre-arranged by a recruiter. We also held group workshops at the offices of charity partners. Combining these three approaches helped us to gain a better understanding of our users, the problems they experience and how particular safeguarding ideas would work for them in practice.

In the course of our research we:

- Ran 10 research activities across London, Stoke-on-Trent and Manchester
- Spoke to 117 energy consumers
- Gathered evidence around 10 policy ideas



What we learned

Talking directly to consumers provided rich insights for our team, which we could communicate to stakeholders and colleagues and quickly feed into policy work. We moved fast, speaking to small groups of people at short notice.

This rapid research does not replace the more traditional qualitative and quantitative studies needed to generate an evidence base for a policy to go ahead. However, it is a good complement, as it can be used much earlier in the policy development process while a wide range of ideas are being considered and refined. It can build empathy, and provide inspiration. And it can allow for more iterative development of ideas.

We learnt that direct exposure to consumers and hearing things first-hand makes all the difference for people making policy:

"I gained a perspective on people's needs, fears and priorities that I never would have got reading a research report. I can't believe I haven't done this for every policy project I've worked on."
- Gervase Poulden, team member

Of all the new working practices we tested during our project, user research was the most effective. It required little adaptation to work in a regulatory context, and proved to be highly valuable in gaining consumer feedback on policy ideas. We believe it has a lot of potential in regulatory policy-making projects.

Researcher story

"Our research began in an ad-hoc way. In the morning, we might spend an hour or so mocking up a prototype letter we could refer to in interviews, and then drafting the questions we wanted to ask. Then we'd leave the office and head over to Poplar High Street, which is about a 15-minute walk from our office in London, to chat to people."

"We often found it was better to approach people in places where they have time to spare, rather than simply stopping them in the street. On one occasion, I had a really good discussion with a lady who was waiting to pick up her grandchildren from a swimming lesson. She was very open with me and happy to share her views on the policy ideas I wanted to test. Offering tea and cake as a 'thank you' for people's time also helps!"

- George Daniel, team member

Types of user research:

Ad-hoc research

Our ad-hoc research involved approaching people in public areas and conducting short interviews with them. We conducted 15 ad-hoc interviews in total, in Poplar and other areas in London.

The advantage of this approach is that it allowed us to test ideas quickly and at a low cost. However, it can be challenging to persuade people to stop and talk on the street without notice, which in turn can cause a research bias. We found that it was easier to find interviewees in environments where people tend to have time on their hands, such as libraries or swimming pool waiting areas.

In-home interviews

We conducted 25 in-home one-to-one interviews with energy consumers. The interviews were arranged through a recruitment agency, and typically lasted an hour. Interview topics ranged from the consumer's energy use, their view of the energy market and what other factors in their life affected their energy decisions.

These home interviews proved remarkably useful in building our understanding of the consumers we were designing for. We strongly recommend that anyone working on similar projects conduct this type of research, as long as robust ethics and safety procedures to protect both participant and researcher are in place. Because of the costs and time investment involved, we feel home visits should ideally be carried out once target consumer groups have been clearly defined.

Group workshops

We organised five group workshops around the country to test policy ideas with around ten people at a time. The workshops were held at the offices of the disability charity Scope, the fuel poverty charity Beat the Cold, and the debt counselling charity Christians Against Poverty.

During the workshops, we spoke to people represented by the charities to understand their needs and motivations, and how certain policy ideas could benefit or harm them. Researching in groups allowed us to hear from a diverse range of people and its collaborative nature encourages a rich discussion. We were also able us to spot patterns and common needs and barriers. However, the group format meant that topics tended to be covered in less depth than in our one-to-one home visit discussions.

Part two: Reforming the retail energy market

What this section covers

This section describes the challenge in the retail energy market, and the policy options we explored to tackle it. It only covers what we learnt from new ways of working that were grant funded, and it is intended to be accessible to people outside the sector. As such, it is simplified in places. Other publications from Ofgem and the joint Future Energy Retail Market Review provide a fuller picture.

Summary

- Innovation in the energy sector can be blocked by rules designed for a different time. The challenge is to re-design regulation so that consumers remain protected while benefiting from new services.
- The onus traditionally has been on consumers to switch to get a good deal. Today's rules are designed to make it as easy as possible for people to shop around for cheaper energy. Yet many people still do not engage with their energy tariff choices. There is currently a cap on prices but this is temporary.
- People in vulnerable circumstances can face additional barriers to switching, and may also not have specific needs met (such debt support).
- Our research looked at policy interventions that could tackle these issues. We involved people early in the policy design process, to understand their needs and evolve our thinking.
- We looked at encouraging people to switch. We found that while there have been significant successes at prompting people to move suppliers, there are still barriers that stop others responding. We could not design new interventions that we felt would allow these prompts to reach the majority of people who are on more expensive tariffs.
- We looked at targeting groups of people and switching them to a better deal unless they opt out. This appealed to some people but our findings suggest it could be hard to implement while avoiding harm, as for some it can cause serious anxiety and other problems.
- We looked at more targeted forms of price protection. We found these could avoid some of the potential consumer experience issues of the other measures considered. But some did not welcome the idea of limiting pricing for others.
- These research findings are being used in the ongoing Future Energy Retail Market Review, alongside other evidence gathered.

Unblocking innovation

Unblocking innovation means changing how we protect consumers

In the joint consultation mentioned in the introduction to this case study, Ofgem and the government conclude that, in the retail energy market *"rules must evolve if they are to keep pace with technological change and remain fit for purpose through the energy transition. This means enabling the launch of products and services that may be blocked today, and that could help reduce bills, improve security of supply and support decarbonisation."*

The consultation goes on to say that "current regulatory arrangements may, in certain cases, act as a brake on new products and services. We have seen innovation happening from within the market, but we think we may need to remove further barriers in order to accelerate the rate of innovation."

One example is Heat as a Service. Energy tariffs currently need to be broken down into a standing charge (£/day) and unit charge (£/KWh). This is intended to make it easy for consumers to shop around for cheaper energy. But research by the Energy Systems Catapult has suggested that some people might prefer to pay for their heating based on how many hours of warmth they want at home. So in this case a rule designed to protect consumers by making it easy for them to compare prices hampers companies that want to offer an innovative service that might also benefit consumers.

So rule changes might be needed to make it easier for businesses to innovate. Much of the current regulatory framework was put in place to protect consumers' interests, but the way it delivers this protection can sometimes have the unintended side-effect of hampering new business models. Creating a new regime that both boosts innovations and safeguards consumers is therefore a single puzzle.

The safeguarding challenge

People who do not switch tend to pay more

Ofgem's State of the Energy Market report (2018) found that more than half of consumers were still on poor-value default tariffs. In the energy market, the onus has been on consumers to shop around, and people who do not engage in this way can end up paying too much. At the moment, suppliers are not usually allowed to charge above a certain price – a 'price cap' – but this is temporary. Our work will be one of the inputs that informs the design of any successor to this regime.

Some groups face particular barriers to switching

Certain consumers are more likely to be overcharged for their energy – notably those who find it hardest to look out for themselves in the market. They are also likely to be hit hardest by overcharging. We describe this group as being 'in vulnerable circumstances'. The circumstances and characteristics that cause vulnerability in the sector are wide ranging. It could be due to a sudden life event, an illness, or a disability. In some circumstances people who are in debt are not permitted to switch.

People may also not get the right customer service for their needs

Households that do not proactively choose their supplier may also not get the service they need. Again, this can disproportionately affect people in vulnerable circumstances. For example, we spoke to someone with a visual impairment who had been unable to access information from a supplier as it couldn't be a read by a screen reader. In Ofgem's Consumer Vulnerability Strategy, there is a helpful table on page 31 that goes into greater detail on the issues that can be caused by different vulnerable circumstances and characteristics.

We know people do not fit neatly into boxes

When we began this work we divided people into two groups:

- People who do not engage. (We used Ofgem's proxy measure developed for the Consumer Engagement Survey in 2018 which defined this group as households who had not switched supplier or tariff for the past four years. Almost half of consumers are in this group.)
- People in vulnerable circumstances. (As a starting point we used Ofgem's definition as set out in our Vulnerability Strategy.)

Anyone can fit into one or both groups, and move in or out of them over time.

We wanted to find a more granular way to group together people with similar needs or behaviours. As expected, this was a challenge as each new research activity would shift our understanding of how energy affects people's lives, which made it harder to accurately pin down exactly what problems we were trying to address for who. However, the iterative process of speaking with consumers and getting feedback on our policy ideas helped us build a richer understanding of our users and moved us closer to a solution.

Here are a few examples of how we tried to segment our user groups (simplified for brevity):

By switching attitudes. For example:

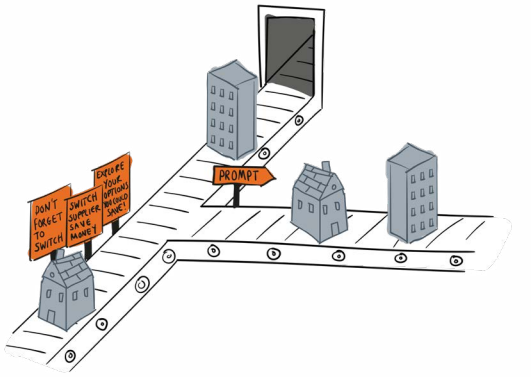
- love shopping around and saving money;
- dislike change, including changing supplier;
- don't like the hassle of switching.

By vulnerable circumstances and characteristics (not necessarily mutually exclusive, or exhaustive). For example:

- lived experience of mental health;
- disabled people;
- cognitive impairments;
- digitally excluded;
- financially vulnerable.

The next three sections cover these conversations with consumers, the insights we gained from them, and how this fed into the policy process. All research participant names have been changed.

Opt-in switching



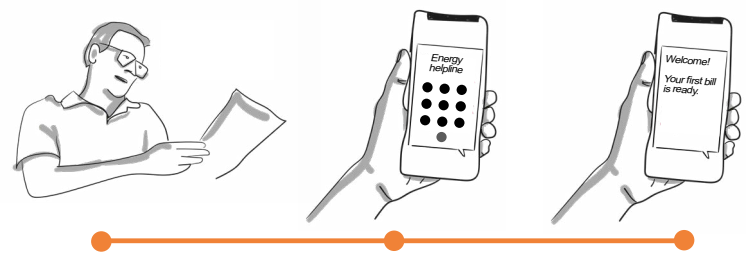
Measures designed to prompt people to switch to better deals are nothing new. They are a feature of other sectors too, from telecoms to finance.

Through our behavioural insights work at Ofgem, we have trialled a range of engagement ‘prompts’ designed to encourage disengaged consumers to engage in their energy tariff choices. And, some requirements on suppliers already exist - for example, suppliers must tell their customers if they offer a cheaper tariff.

As a starting point we explored the opt-in collective switch model that had already been successfully trialled in Ofgem’s collective switch trials. Later in September, Ofgem will publish full details of all the consumer engagement trials that have been conducted and all the research associated with them.

What is an opt-in collective switch?

Customers would receive letters encouraging them to move to a cheaper deal with a new energy supplier. They would need to respond if they wanted to switch. Groups of consumers would be switched at the same time, and energy suppliers would tender to offer them a good value tariff. This programme could be organised by Ofgem working with a price comparison website.



I’ve just opened a letter telling me that the government have arranged a cheaper energy deal for me

To get the deal **I need to opt-in** either by phone or online

I am then switched to the new supplier to save £300

We wanted to understand more about how and why different groups of people respond to these prompts, particularly those who have not switched in a long time or are in vulnerable circumstances. We felt that this would provide a comparison to the stronger interventions that we felt might be necessary to reach even more consumers.

Barriers to switching remain

Our research chimed with other work suggesting there are still significant barriers to switching for some groups of people, and these meant that we could not design prompts that would reach the majority of people who do not switch. The barriers we found were:

Lack of trust
“When I went on a comparison site there were weird companies I’d never heard of. What sort of customer service would they offer?”

Concerns about the process
“I’ve got £10 left on my pre-payment meter. What would happen to that if I switched to a different supplier? Would I have to wait until the money ran out before I make the switch?”

Lack of time, energy and headspace
“If I don’t pay my rent I’ll lose my house. If I don’t pay my council tax I’ll be taken to court. And if either of those things happen, I don’t need to worry about paying for energy.”

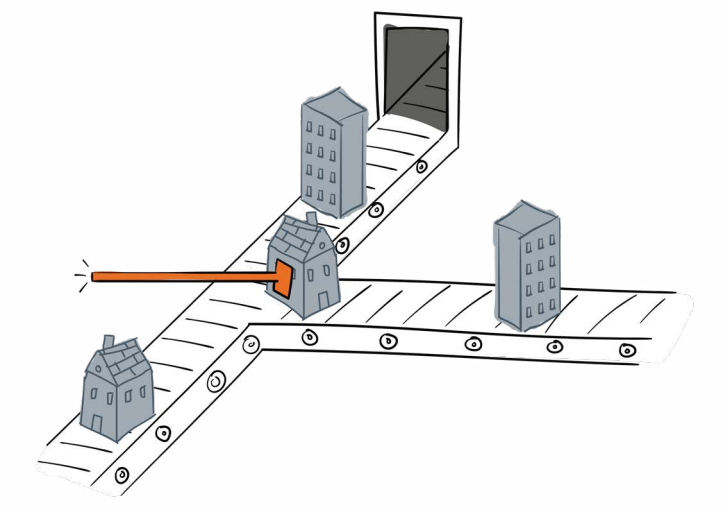
Complexity of the decision
“It’s like reading hieroglyphics.”

Loyalty to existing supplier
“My supplier has been good to me. When I’ve run out of money and my gas needs topping up, they give me some to get me through.”

Conclusion: Positive, but cannot reach the majority

Ofgem’s customer engagement trials showed that for some customers a collective switch can be highly effective in prompting engagement, but for others, barriers to engagement remain. Our findings align, indicating that for some people, particularly those in vulnerable circumstances, barriers to switching would need to be tackled in another way. And we were not able to design new interventions that we thought would be likely to achieve a different result. This led us to feel that we needed to compare this option to stronger measures, which are discussed in the next section.

Opt-out switching



Measures designed to encourage people to switch to better energy deals are only effective up to a point. We therefore looked at 'opt-out collective switch', which could help overcome this.

What is an opt-out collective switch?

In contrast to opt-in collective switch, people who do not respond would automatically be moved to a cheaper deal.

I've just opened a letter telling me that the government have arranged a cheaper energy deal for me

To stop the deal **I need to opt-out** either by phone or online

I decide not to opt-out and I am switched automatically to the new supplier

Making switching automatic seems attractive at first glance. In theory, fewer consumers would slip through the net, and many more would switch over to better deals. However, we were aware that there might be drawbacks and wanted to investigate these in more detail. Is opt-out more or less suitable, or should we avoid targeting it at certain people altogether?

Good for some

Of the people we spoke to who found the opt-out idea appealing, many said they appreciated the fact that it would take the time and hassle out of the switching process.

We showed one woman our mock-up of an opt-out switch letter consumers might receive in the post and her reaction was immediately positive: *"If you can switch by doing nothing, that's pretty cool. It would save a lot of hassle."* Another example of a positive view came from a workshop participant who thought it was a good idea as long as his new energy deal was guaranteed to be a good one and that there would be no data privacy concerns.

Bad for others

While some of our interview subjects reacted positively to opt-out, the idea provoked a lot of anxiety for some people, particularly those in vulnerable circumstances. It was important during these research activities that we built in extra time and the necessary steps to ensure that their emotional wellbeing was not affected by our conversations. Risk was reduced further by partnering with charities with expertise in working with those in vulnerable circumstances and with existing relationships with research participants.

On one occasion we spoke to a man with a health problem that affects his memory. He said he'd be worried about forgetting that he had received the opt-out letter, or that the switch had taken place. *"Familiarity matters to me. I need to stick with what I know. That's why I've stayed with the same supplier for years."*

For some people, we found that the prospect of change could provoke anxiety that could affect their physical health. During one home visit we met a woman who suffered from an eating disorder. She had stuck to the same supplier her parents had used, and was paying a lot for her energy. She said she knew she should shop around for a better deal, but that she couldn't handle the change as it could increase her anxiety. This made us aware that sending an opt-out letter to the wrong person could risk causing physical harm as well as emotional stress. During our conversations, we reinforced that what we were showing them was a hypothetical scenario, and that their energy supply would not be affected in any way.

"Getting a letter from a person or a company I don't know can make me really anxious."
- Claire, research participant

The challenges faced by people with mental health conditions was a theme that kept coming up in our research. Ofgem's Consumer Vulnerability Strategy mentions that dealing with utility companies can cause panic attacks for people living with mental health conditions, and this was backed up in our interviews. For example, we spoke to a woman with severe anxiety who was concerned about whether her letters would reach her energy supplier. She sent them by tracked delivery, and had to travel to the post office in the evening to avoid the stress of being surrounded by too many people. This showed us that even this process of opting out of a switch could be extremely stressful for some people.

"I spoke to Vicky, a woman who was struggling with debt. She said she rarely opened her post, and probably wouldn't notice the opt-out letter if it came through her door."
- Maya Alvarado, team member

Some people we spoke to during our research said they felt attached to their current supplier, and wouldn't want to change in any circumstances. In many instances, this was because they felt the supplier had treated them well in the past – for example, by providing services that met their specific needs, or by supporting them when they were facing financial difficulties. Of course this loyalty could be relevant to both opt-in and opt-out switching.

"I know my supplier will help me out when I'm having a bit of a 'struggle month'. They give me an emergency top-up and I pay it back later."
- Shamsun, research participant

Mixed reactions around freedom and control

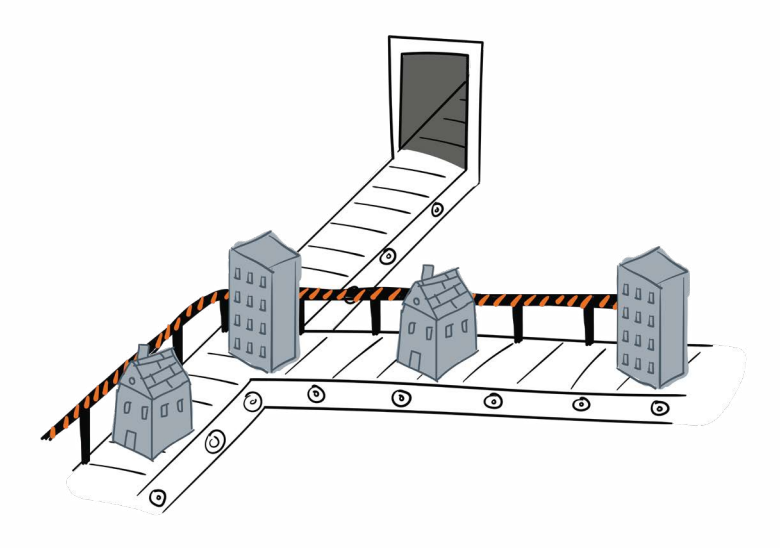
In some of our conversations, people reacted negatively to the opt-out idea because they felt it was taking away their freedom and control without permission. One woman reacted particularly strongly when we read her a prototype letter informing consumers about the opt-out switch: *"No. Who would these people be? Who would pay for the transfer? You wouldn't have the right to do this. In a court of law, you'd stand no chance."* That said, such reactions were much less common than we thought they could be.

"We imagined some people would have negative feelings about a loss of power in decision-making, and that was true. But we also learnt that other people were fine with it if it meant they were making a saving." - Isabelle Dray-Sharma, team member

Conclusion: Hard to implement while avoiding harm for some

Our research showed that opt-out had a lot of potential in switching consumers who the opt-in approach does not reach. However, we also found that there are certain consumers, particularly those in specific vulnerable circumstances, for whom opt-out may be inappropriate. It could also create the risk of consumers being switched onto a supplier that does not provide the right level of customer service for their needs.

Price protection



Why extra protections might be needed

We saw that prompting people to switch would be likely to leave certain households on the same energy deals, risking them being overcharged when the price cap ends. But opt-out switching might cause harm amongst certain groups. We therefore started to consider price protections, which do not require people to act.

Options for price protection

Price protections could be achieved in several ways. One option could be a new targeted price cap designed specifically for people in vulnerable circumstances. This targeting would be challenging. In our research, we often met people who would benefit from price protection but whose particular circumstances meant that they might miss out – for example, people who were not on benefits or a prepayment meter, but were struggling to afford their energy.

Another option is introducing a "fair price principle", in which suppliers would be obligated to charge reasonable prices and not make them excessive for loyal customers. For example, a company could be asked retrospectively to justify price rises based on increased costs or innovation spending.

Reactions to price protection

In this research there was a risk that consumers would say they favour price protections because they are in place at the moment, and are receiving press coverage. We were watchful for this potential bias, but still feel the tone of responses was overall more positive than negative.

Some felt it would be helpful to them, while others were concerned that friends and family could miss out by not being eligible. There were also contrasting opinions about the fairness of a targeted price cap that benefited others. This often depended on people's interpretation of the word "vulnerable". For example, people tended to be happy with the idea of a cap if they understood it to be aimed at older people. However, some expressed reservations if the cap was framed as protecting people with low incomes or those on benefits.

Conclusion: Price protection may be worth considering alongside other measures

Based on this user research our team began to feel that price protections for some groups could continue to be valuable after the current temporary price cap is lifted. Unlike other options people would be covered without needing to act, and with less risk of causing anxiety or confusion. That said, even with a new cap in place it would still be likely that households would be able to save if they did switch to a cheaper tariff, with their existing supplier or a new one.

Recommendations for future projects

Agree scope, set goals and process

- Ensure the project has a narrow, clearly defined scope.
- Agree SMART goals for the project, and ensure everyone has a shared understanding of them.
- Agree how individual goals can align with team goals, so they both incentivise the same behaviours.
- Do user research early and often. Create a fast sign-off process.
- Make sure you are clear on how you manage risks and ethics.
- Use prototypes and other visuals to bring ideas to life. As well as aiding user research, they expose different understandings of the idea within the team, and aide communication with stakeholders.

"Like any project management technique, the success of the Agile approach depends on the fundamentals of a project being in place. You need a clear scope, a clear feedback loop and a clear decision maker."

– Daniel Kirk, team member

Get the skills

- Include team members with skills in user-centred design (e.g. 'service designers' and 'user researchers').
- Consider using an Agile coach to give feedback on how to improve team performance. Look for someone with experience applying Agile outside IT projects. Alternatively, some teams include a permanent 'delivery manager' to support Agile working on one or more projects.
- Put processes in place to bring in short-term freelancers, such as copywriters. This includes being able to put someone on the payroll for a few weeks if this is cheaper than paying by invoice, and having a contract with relevant recruitment agencies.

Structure the team

- Empower one person, who is readily available to the team, to make final decisions within an agreed scope.
- Ring-fence some team members who only work on a few prioritised tasks. Relieve them of all other responsibilities, and create other roles for stakeholder management.
- (We acknowledge that these two points will be a significant stretch for many organisations, but feel the productivity gains can be considerable.)

Set up the space

- Have all team members sitting together for as many days each week as possible.
- Create a project area, where materials can be left up on walls.

Resources

If you want to learn more...

- The Agile approach can be neatly summarised in these 12 principles.
- The Government Digital Service offer an introductory course on User-Centred Design in Government.
- The Energy Systems Catapult's have a range of relevant reports here. In their Living Lab they use prototyping and user research to design new ways for people to buy heat, and this inspired our original grant bid.
- The Policy Lab at the Cabinet Office have an interesting blog post on Agile, as well as an Open Policy Making Toolkit. While slightly different from the approach we used, there are clear overlaps including user research and prototyping.

Thank you

Thank you to our team:

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- Energy Systems Catapult
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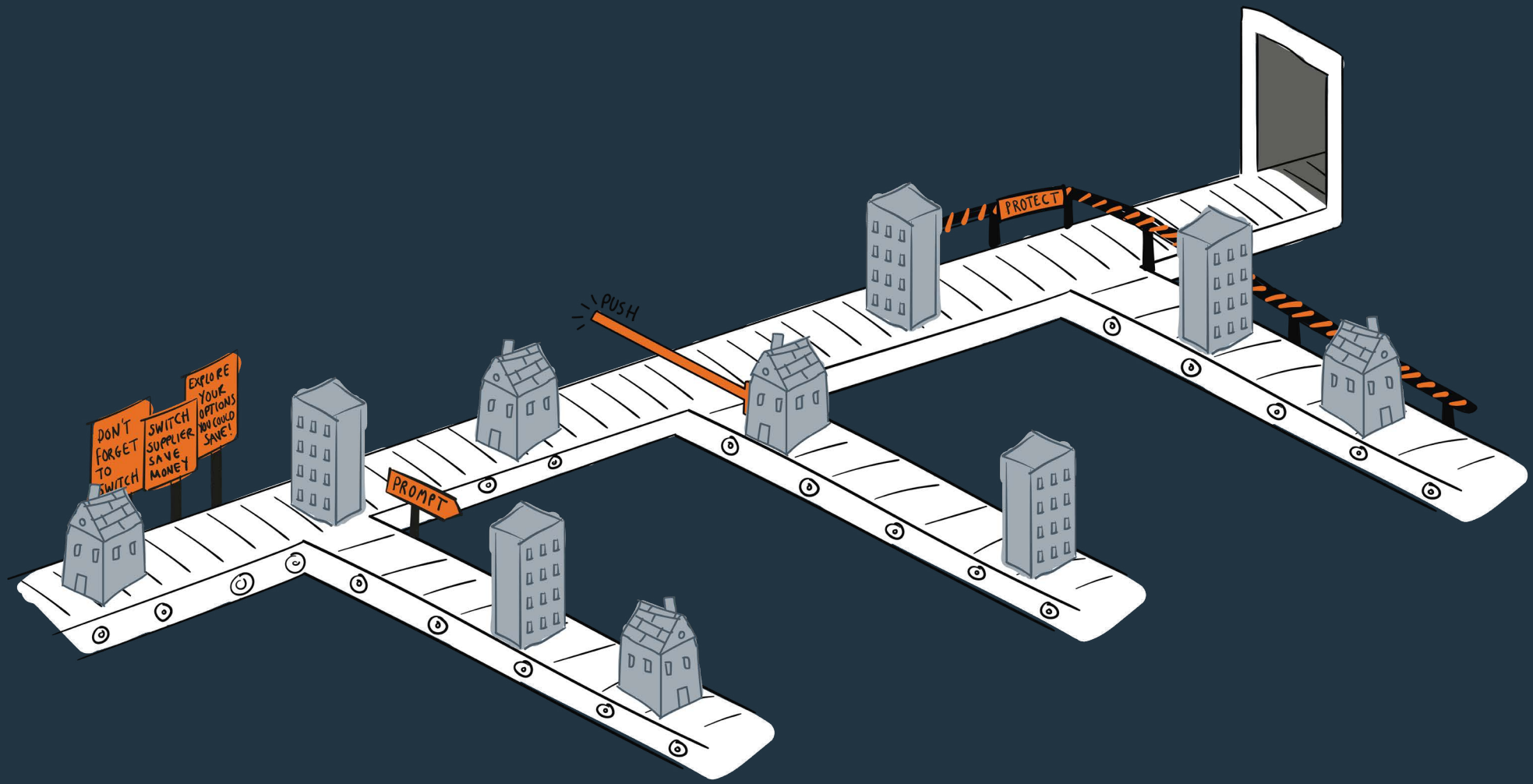
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SWITCH SUPPLIER SAVE MONEY
EXPLORE YOUR OPTIONS YOU COULD SAVE!
PROMPT
PUSH
PROTECT