

# Pioneering Policy Making

## A case study from Ofgem



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24/09/19

Part 1:

## **Designing future protections with today's consumers**

Part 2:

## **Improving policy projects**

A) How might we create a high performing team?

(Agile Project Management)

B) How might we involve consumers in policy making?

(User-Centred Design)

## **Recommendations for future projects**

Part 1:

**Designing future protections  
with today's consumers**

- Samir Prakash, Head of Strategy at the Better Regulation Executive gave an overview of the Regulators' Pioneer Fund.
- This work is one of the winning grant bids.

More information on the fund is available here:

<https://www.gov.uk/government/news/projects-lay-the-groundwork-for-a-future-of-robotlawyers-and-flying-cars>

## **Creating an agile retail market that captures system benefits for consumers**

Understand how regulation could be designed to allow innovation to flourish whilst protecting the interests of current and future consumers

- The future I've talked about will be more complex.
- In order to deliver major changes to the energy system and good outcomes for all consumers, Ofgem will need to become more efficient and respond quicker to changing business and industry needs. We also want to create a more stimulating working environment for staff.

## **We've structured today's event into two sessions:**

1. The research we did to develop policy ideas on how to protect consumers in the future energy market.
  - We looked at what backstop protections might be needed to replace the current default tariff price cap, which must expire no later than 2023. Our focus was on those people who find it hardest to look out for themselves in this market.
2. Zoom out and look at the project process.
  - What we learned from trying different ways of adapting the policy-making process in order to adopt agile and 'test and learn' methodologies, with the aim of designing a more impactful and efficient project overall.

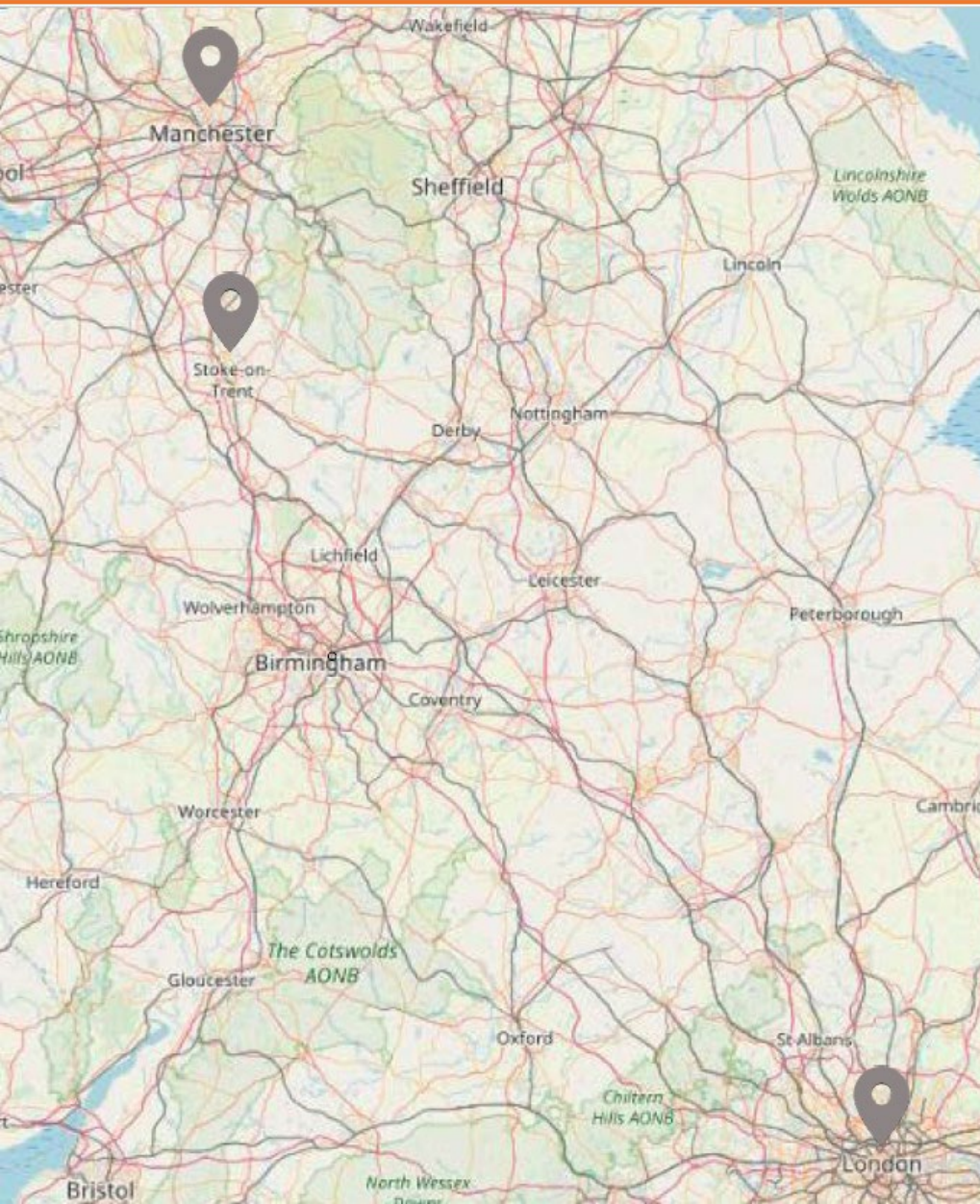
1. To understand the motivations, needs and attitudes of the people we are designing for

**2. To directly test and evolve our policy ideas for safeguarding consumers**

3. Build empathy in a policy team designing for millions of people







**10**

research activities

**117**

energy consumers

**10**

London, Stoke-on-Trent, Manchester

## **People who don't switch**

Who have been with the same energy supplier or tariff for **more than 4 years**.



## **Vulnerable consumers**

Whose personal circumstances and characteristics (combined with aspects of the market) mean:

- They are **less able to represent their interests** in the energy market
- They are **more likely to suffer detriment**



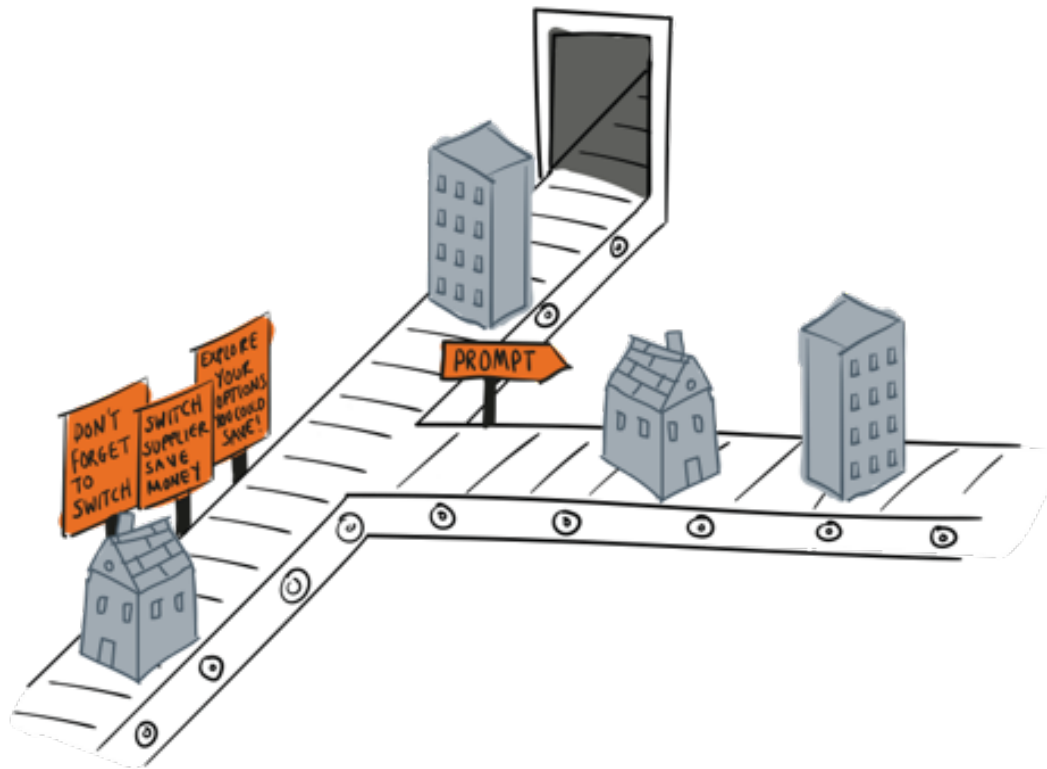
## An illustration of our three policy areas

Can we prompt non-switchers to switch

Can we switch non-switchers

Do non-switchers need extra protection







You are informed that you can have a new energy deal to save you money.

You need to do something to get this deal.

Barriers make it hard to reach the majority with opt-in:

- Lack of trust
- Concerns about the process
- Lack of time, energy and headspace
- Complexity of the decision
- Loyalty to existing supplier

*"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."*

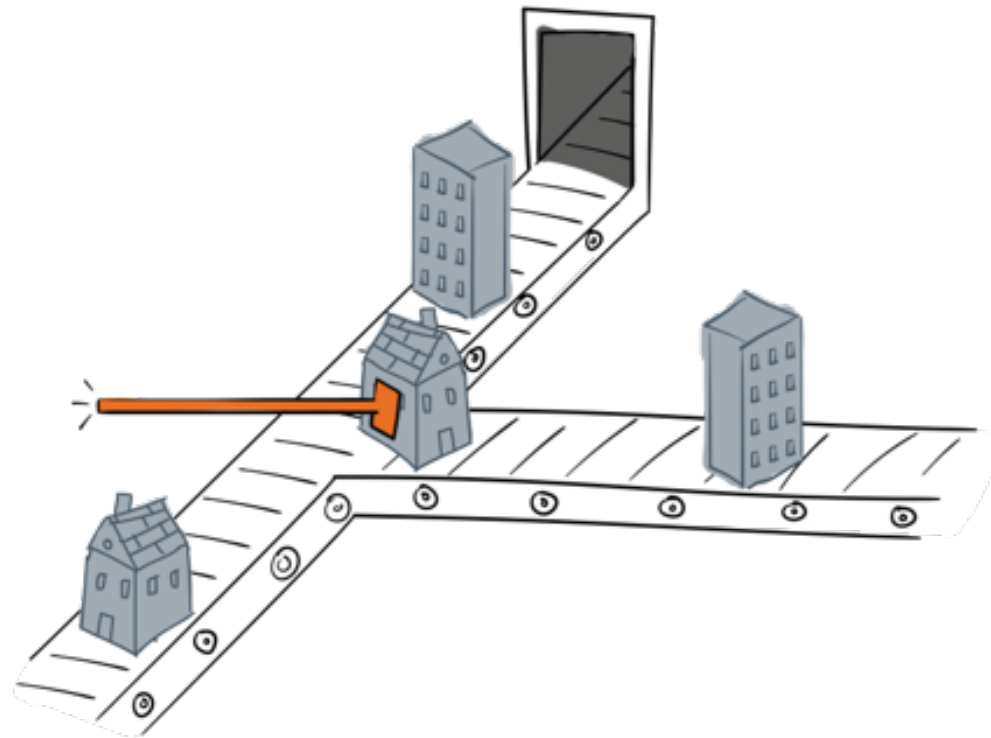
*"My supplier has been good to me. When I've run out of money and my gas needs topping up, they give me some to get me through."*

*"It's like reading hieroglyphics."*

*"When I went on a comparison site there were weird companies I'd never heard of. What sort of customer service would they offer?"*

## **Conclusion: positive, but cannot reach the majority**

- For some, particularly those in vulnerable circumstances, barriers to switching would need to be tackled in another way.
- We were not able to design new interventions that we thought would be likely to achieve a different result.
- So compared this option to stronger measures...





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Jane Smith  
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19 February 2019

**Relax, sit back and we'll switch you to a cheaper energy deal**

Dear Ms. Smith,

The independent energy regulator, **Ofgem**, has asked energy companies like yours to help their customers switch to a better deal – even if it is from a different company.

**Ofgem** has appointed us, **SWITCH**, to arrange a cheaper deal for around 1,000 energy customers like you – people who've been on an energy deal that may not be the cheapest for them, for more than three years.

We've now secured an exclusive deal for you with a new energy company, Energy GB. You will be switched to this if you do nothing. Here's what you will save, based on you using the same amount of energy as last year:

If you stay with your current contract, you'd pay **£1246** over the next 12 months.

If you switch to this deal, you'd pay **£931** over the next 12 months. That's a personal saving of **£315**.

**You don't have to do anything to be switched**



You can get your bills the same way



You can pay your bills the same way



Your energy supply won't be interrupted



DRAFT – This is an idea we are testing and has not been approved by **Ofgem** at this stage.

## Our findings

- Good for some. People liked that it saved them hassle
- Bad for others, particularly those in vulnerable circumstances
- Mixed feelings about freedom and control

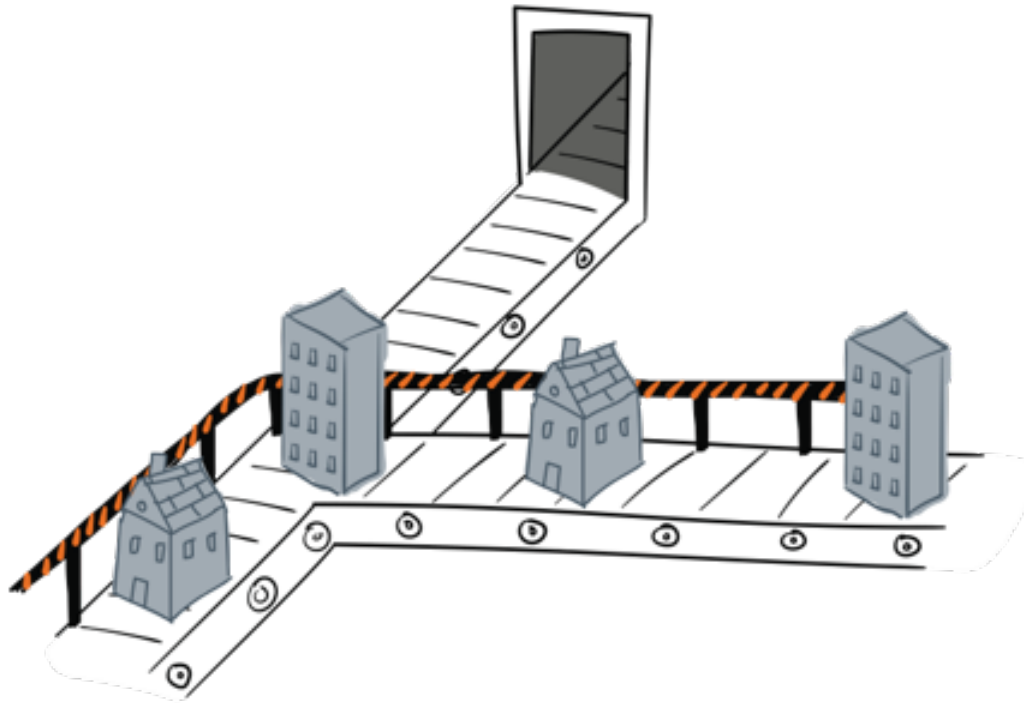
*"I know Martin Lewis says I should switch. But I just can't handle the stress. It's bad for my health."*

*"If you can switch by doing nothing, that's pretty cool. It would save a lot of hassle."*

*"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."*

## **Conclusion: hard to implement while avoiding harm for some**

- Opt-out had a lot of potential in switching consumers who the opt-in approach does not reach.
- There are certain consumers, particularly those in specific vulnerable circumstances, for whom opt-out may be inappropriate.
- Could create the risk of consumers being switched onto a supplier that does not provide the right level of customer service for their needs.



### Who might need extra protection?

Can't switch either for psychological reasons or due to debt

Prefer not to switch

*"Getting a letter from a person or a company I don't know can make me really anxious."*

*"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."*

## **Conclusion: Price protection may be worth considering alongside other measures**

- Research 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.
- 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, whether with their existing supplier or a new one.

## **Can we nudge non-switchers to switch?**

Positive, but cannot reach the majority

## **Can we switch non-switchers?**

Hard to implement while avoiding harm for some

## **Do non-switchers need extra protection?**

Price protection may be worth considering alongside other measures

**Questions?**



Part 2:

## **Improving policy projects**

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Press release

## Projects lay the groundwork for a future of robolawyers and flying cars

New fund will back projects that will ensure rules and regulations keep pace with technological advances of the future from virtual lawyers to flying cars.

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Published 5 October 2018  
From: [Department for Business, Energy & Industrial Strategy, Medicines and Healthcare products Regulatory Agency, Ofgem, Ofcom, Civil Aviation Authority](#), and [The Rt Hon Greg Clark MP](#)

Part 2A:

**How might we involve  
consumers in policy making?  
(User-Centred Design)**

## User Centred Design

Applying the mindset of a designer to policy making



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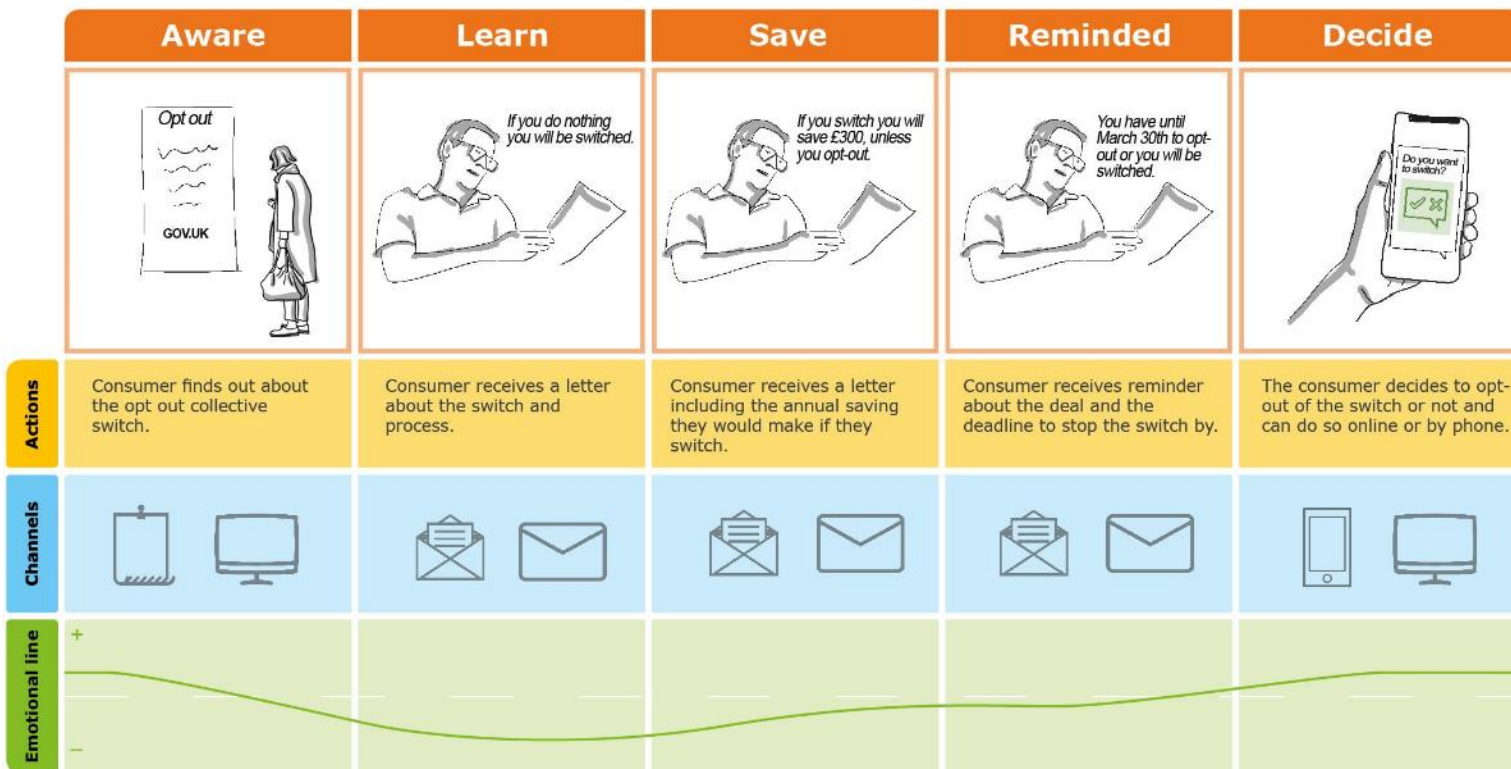


*"Gave me a very different perspective on people's needs, fears and priorities that I never would have got reading a research report. I can't believe I haven't done this for every policy project I've worked on!"*

*"This experience has demonstrated the danger of oversimplifying: People are very complex, even in the context of switching energy (or not). We must not fall into the trap of designing solutions for strawmen."*

*"It's really important for policymakers at all levels to get out of the office-bubble and meet the people directly affected by the decisions we're taking."*

# Journey mapping



## Prototyping





**Provides rich  
insights for  
policy makers**

**Ability to test &  
iterate multiple  
concepts quickly**

**Fast feedback  
loop of  
insights into  
policy work**

**Builds empathy  
and provides  
inspiration**

**Adapts easily  
into a regulatory  
context**

**Compliments  
large-scale  
qual & quant  
studies**

Part 2B:

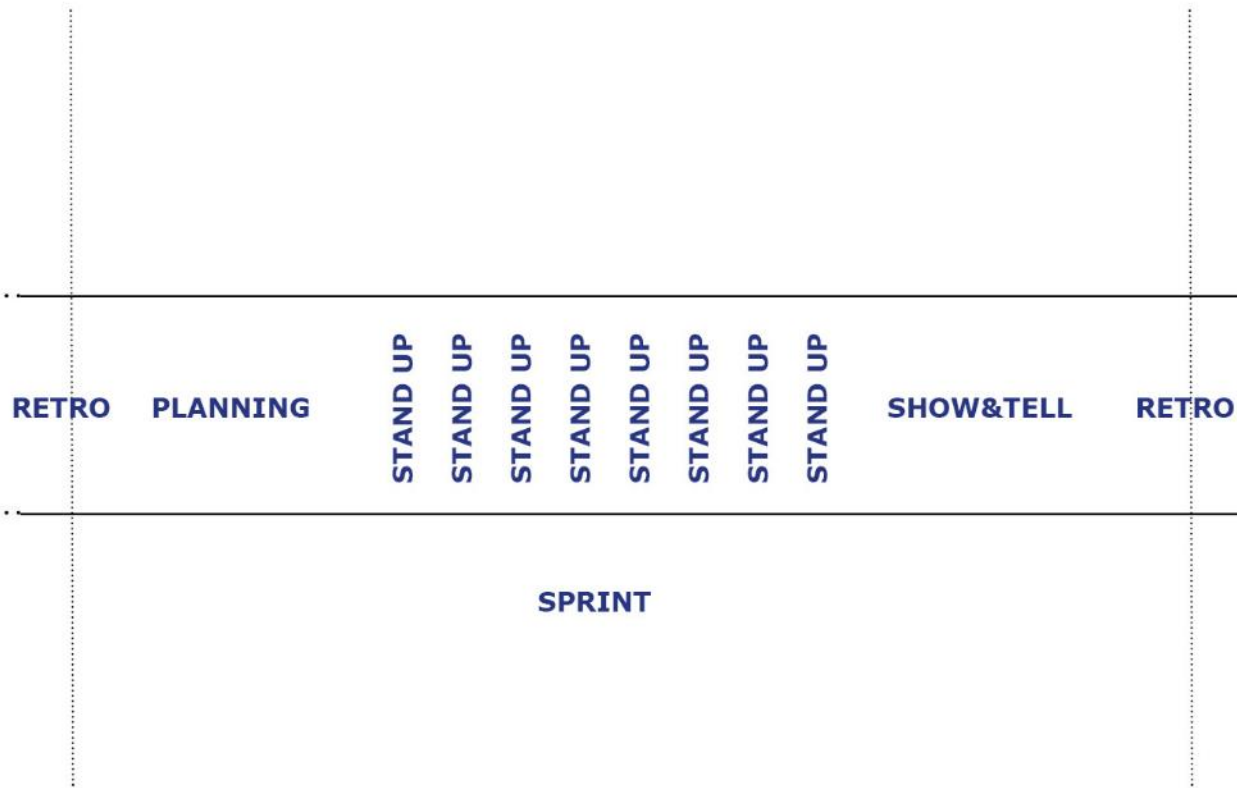
**How might we create a high  
performing team?**

**(Agile Project Management)**

Agile tells a particular story about high-performing teams.

Suggests the best teams are:

- Planning & Prioritising
- Delivering Incrementally
- Always Improving
- Collaborative
- Empowered



+

- Clear immediate goals.
- Appreciated transparency on what everyone is working on.

-

- Hard to agree priorities.
- Time-consuming planning meetings.
- Urgent requests distracted from focus.

“We would spend lots of time planning our priorities, but we wouldn’t stick to them.”

- +
  - Aided prioritisation.
  - Aided continuous improvement.
  
- - Struggled to see how small outputs turned into larger ones.
  - Working openly can feel like you are being watched.

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- Regularly celebrated success.
- Regularly vented frustrations, and planned fixes.

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- Not everyone feels comfortable sharing how they feel.
- Not everyone embraced flexing how they like to work.

+

- Opportunity for breadth of work.
- Valued talking stuff through together.
- Enjoyed working with diverse colleagues.

-

- Some desire for more depth.
- Team autonomy limited
- Challenge to create a single empowered decision maker.

“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.”



Part 3:

**Recommendations  
for future projects**



- What's our product?
- Who is this for?
- What do they need?
- What is the smallest piece of work we can produce that would be valuable for them?
- How can we get feedback from them?

**More Questions?**

## **Case Study**

<https://www.ofgem.gov.uk/publications-and-updates/innovating-our-policy-making>

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**Our core purpose is to ensure that all consumers can get good value and service from the energy market. In support of this we favour market solutions where practical, incentive regulation for monopolies and an approach that seeks to enable innovation and beneficial change whilst protecting consumers.**

**We will ensure that Ofgem will operate as an efficient organisation, driven by skilled and empowered staff, that will act quickly, predictably and effectively in the consumer interest, based on independent and transparent insight into consumers' experiences and the operation of energy systems and markets.**