

Consumer involvement in the price control process

Consumer First Panel – Wave 2 Report
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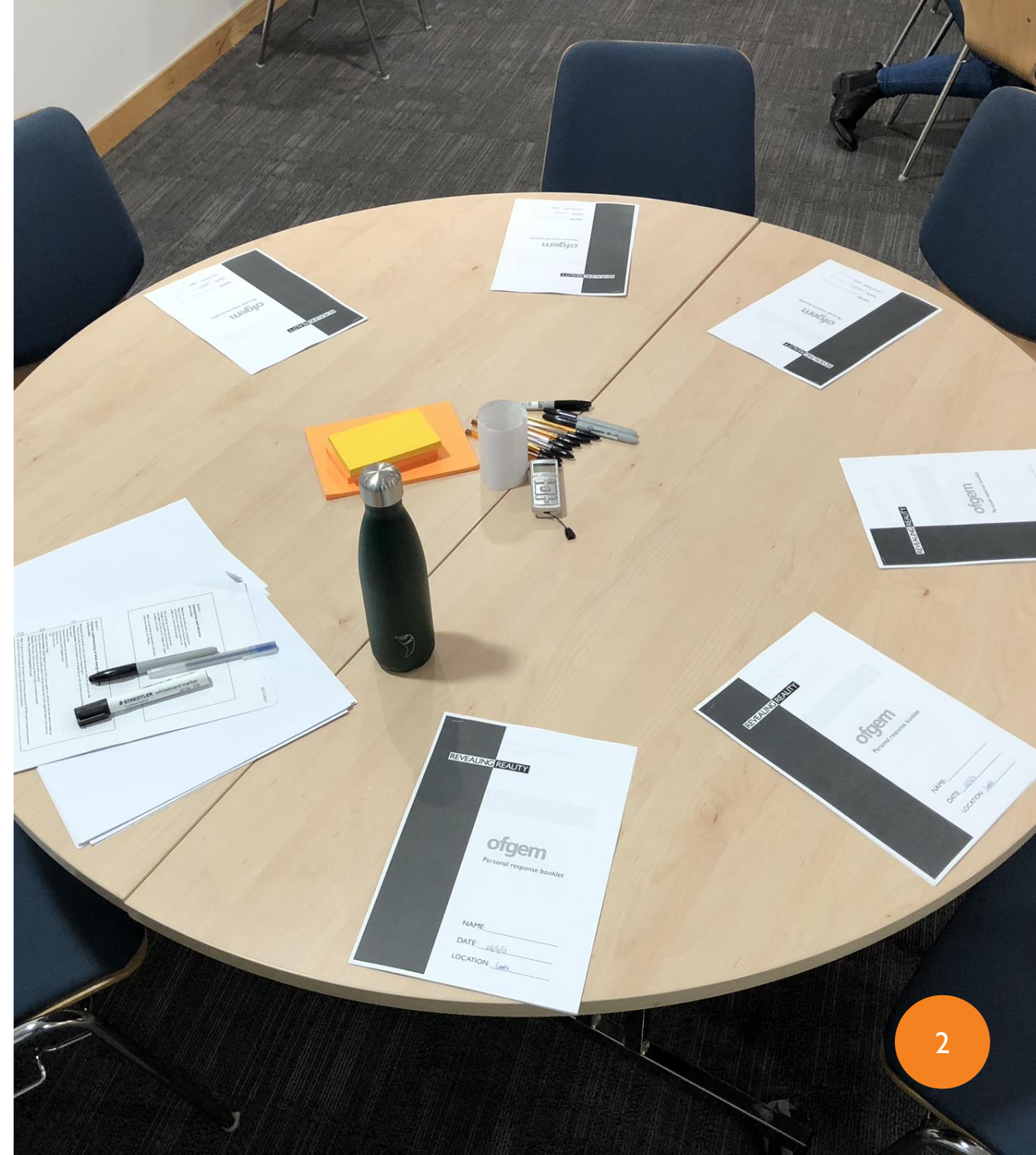
REVEALING REALITY

ofgem

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Overarching objectives of the Consumer First Panel

- Allow Ofgem to consider the consumer voice when developing policies
- Understand consumer views on key energy market issues
- Analyse and compare consumer attitudes and behaviour
- Find ways to help consumers engage with the energy market

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Wave 2 | Research Objectives

- What types of input can you get from different types of consumer?
- In what ways can the consumers perspective be heard in the price control process?
- Where in the price control process should consumers input?
- How do you boost consumer ability and confidence in the subject matter to contribute?
- At what point might the consumers like or need a representative to speak for their interests? And who might best serve them?

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Why deliberative sessions?

Due to the complex and technical nature of price controls we undertook a deliberative approach for this research

A portion of the session was dedicated to explaining how energy networks operate and the existing process for deciding price controls.

This explanation was necessary as many consumers were unfamiliar with how networks currently operate and the price control process

A deliberative session allowed us to explore layers of involvement openly with respondents as well as ascertaining how difficult groups of consumers find it to understand and engage with discussions around price controls.

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Session considerations

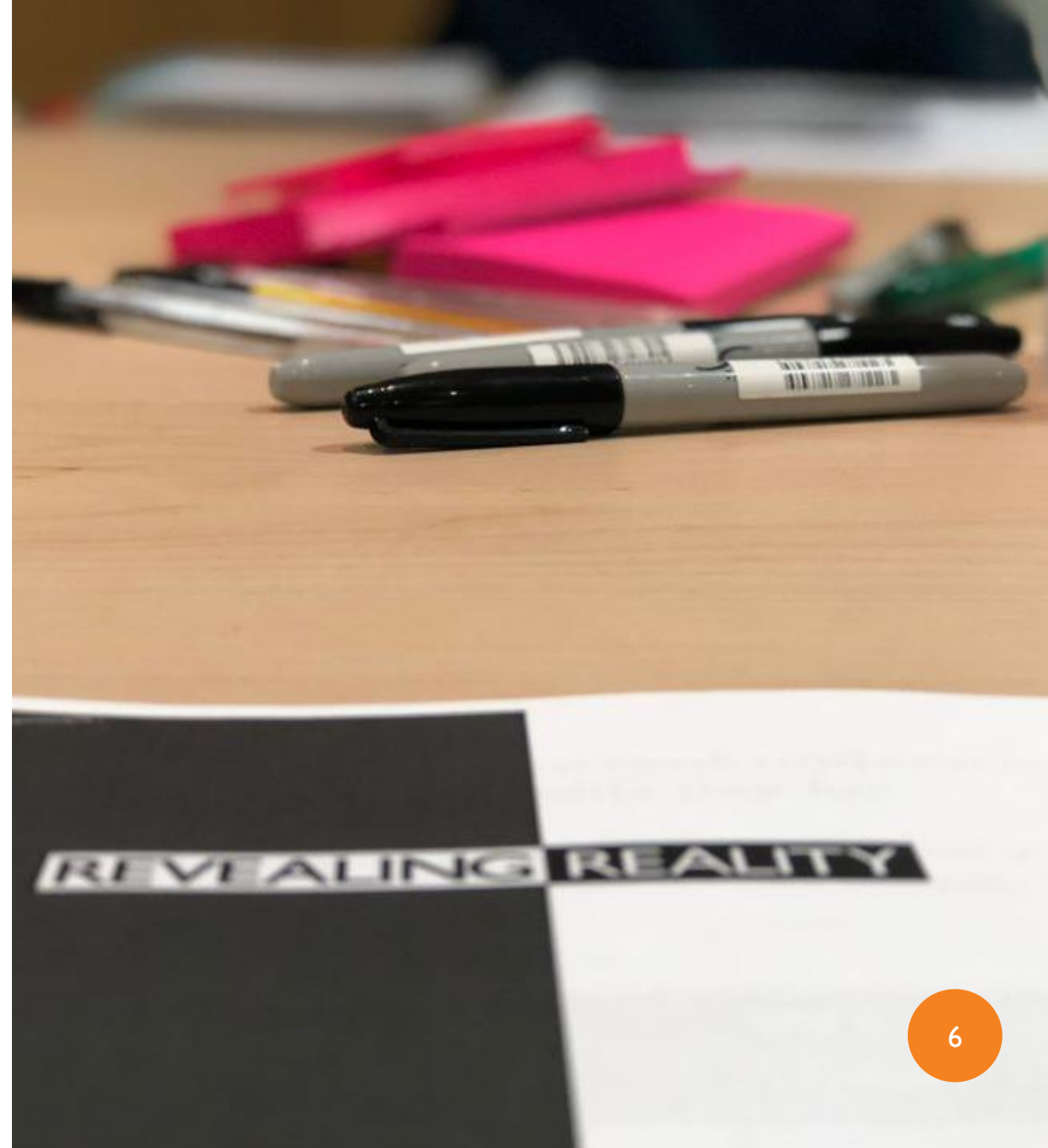
From previous research we know that in a group setting some respondents, who see themselves as knowing less than someone else, can often defer to that individual rather than voicing their personal opinion.

During the sessions we asked panellists to divide themselves into groups of knowledge around energy networks, from most to least, to ensure we heard everyone's thoughts on the subject matter.

We defined “knowledge” by how much they currently know about energy networks and their role in bringing energy into your home.

However, we found that consumer confidence in their own knowledge of energy networks was low, with most placing themselves in the “low knowledge” group. Therefore we had to move some individuals into the higher knowledge groups to even out numbers.

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This report...

This report outlines the findings from Wave 2 of the Consumer First Panel and explores the below questions in three key areas of engagement

Consumer input:

What types of input can you get from different types of consumer?

Where in the price control process should consumers input?

Process:

In what ways can the consumer perspective be heard in the price control process?

How do you boost consumer's ability and confidence in the subject matter to contribute?

Representation:

At what point might the consumers like or need a representative to speak for their interests? And who might best serve them?

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CONSUMER INPUT

What types of input can you get from different types of consumer?

Where in the price control process should consumers input?

Consumers could confidently make value judgements

In discussions centred around different outputs or measures, consumers could identify those they would personally prioritise, particularly if they were more “human” and relatable.

For example, consumers felt more confident identifying and prioritising their needs around customer satisfaction as opposed to connections which they felt would need “expert” input.

Some consumers felt that they would be best placed prioritising their needs in areas where they could actively see the impact of their involvement in their lives.

However, consumers struggled to develop their “thoughts” into actionable initiatives. Many believed that whilst they could offer their opinion/priorities external bodies or experts such as Ofgem would be better placed to make final decisions.

“I think I could be involved in prioritising the most important things, but the networks would have to present something to us to prioritise “

Paisley

“We have lots to say about it, we could tell them things we would like them to consider”

Leeds

Consumers could discuss topics most relevant or tangible to themselves

Though the majority of consumers understood the need to ensure networks plan for the future, particularly in relation to topics such as renewable energy sources, most focussed on short-term impacts when discussing price controls.

Consumers could discuss topics such as customer satisfaction in relation to their short term needs, as it had more immediate relevance to them.

The longer-term needs of consumers and the networks was often an abstract concept for consumers, with many unsure of what would need to be considered. For topics such as connections consumers struggled to relate to this or found it intangible.

Some felt that without prior knowledge consumers wouldn't know what their long-term needs could be. Whilst some suggested that experts would be best placed to consider the longer-term facets of price control while their focus could be on the more immediate and relevant areas to them.

“Topics about the consumers, I could be involved in”

Paisley

“It's hard to understand the wider context and without this it's very hard to discuss”

Watford

“I think we [consumers] are the best people to talk about ourselves”

Leeds

PROCESS

In what ways can the consumers perspective be heard in the price control process?

How do you boost consumer's ability and confidence in the subject matter to contribute?

Consumers input can best be heard on specific issues

Some consumers who wanted to contribute to wider price control discussions thought transparency of what they were being asked to consider - as well as how they would impact the process - was important in order to give their input.

Some suspected a box ticking motivation behind seeking consumer opinions on price control and thought that their involvement could be tokenistic.

Due to the technical nature of the topics some couldn't understand why Ofgem or the networks would want consumers to contribute to discussions around topics such as investments. However, when discussing topics that were more relatable consumers felt their voice would be important in guiding networks as to what their current needs are.

As most consumers struggled to retain large amounts of new information when discussing price controls, gaining knowledge and inputting on specific areas would have the most value for them, Ofgem and networks

“It’s hard to tell how I could be involved and what the impacts are of me making decisions”

Merthyr

“Which measures the customers prioritise, that could be a way to get us involved”

Paisley

“I need to be convinced that my input will be valuable. I want to know something will be done in the future”

Leeds

Consumers required additional information

The majority of consumers felt additional knowledge or some form of guidance would be essential to be able to contribute to the process.

However, many could not identify what information specifically would help them and would often frame what they needed in broad terms.

Some also recognised that were they to be provided with lots of detailed information they would no longer be an “average” consumer, but an “expert” themselves, highlighting the need for moderation in the information given to them so they still represent the consumer voice.

A key challenge in engaging consumers was the terminology used and the amount of context required to confidently give their input, further highlighting the need for moderation in the information provided to them.

The use of simple, jargon free language and a sufficient amount of relevant information would help consumers engage in the process. Particularly in relation to topics that hold greater relevance for them.

“This is not measurable in consumers’ eyes – you would need to give us a base line”

Watford

“I don’t have enough knowledge on how these things may effect the networks’ productivity”

Leeds

“Definitions are needed around the jargon used”

Merthyr

Consumers suggested a range of ways they could be involved

Many consumers suggested face to face discussions (similar to the panel format) as an effective way to gain their input in a setting in which they felt comfortable. They valued the open and deliberative nature of the panel discussion and felt confident and happy to engage and give their opinions.

Some consumers felt that if they were in a room with an expert who was also contributing to the discussion they would find this off-putting. They felt in order for them to feel confident they would like to be amongst people of similar capabilities to themselves.

However, many consumers still felt that any considerations or prioritisations made by themselves would still need to be considered separately by an expert, who better understood the context of the discussions.

A few consumers suggested alternative ways of getting their input, such as surveys, they felt this could be an effective way to gather their priorities for an expert to consider. However, the majority felt something similar to the panel format would be advantageous.

“It’s a debate consumers need to have around this not a yes or no question”

Merthyr

“The principle of this [the Panel] could work really well”

Paisley

“They could communicate with us through social media or surveys”

Leeds

REPRESENTATION

**At what point might the consumers like or need
a representative to speak for their interests?
And who might best serve them?**

Some consumers have the ability to be objective

Consumers found it hard to discuss topics objectively, often defaulting to talking about their personal experiences (e.g. their suppliers, and how much they currently pay on their bill.)

Some consumers understood the difficulty in discussing these topics objectively and were aware of the possible wider implications of their decision making. These consumers had little confidence that 'laymen' would be able to discuss price controls objectively without deferring to personal experience.

These consumers also often had a better understanding of how energy networks function and how price controls worked before the session and thought that their involvement in the process of price controls would have value.

Consumers asked to participate in any discussions around price controls need to be carefully selected and have a clear understanding of their role as well as the ability to be objective.

"It's hard for consumers to be objective, they just care about money and how much they pay and want to pay less"

Merthyr

"It's my opinion, I couldn't really speak for anybody else"

Paisley

"I can only speak for myself and my parents"

Leeds

Expert opinion was invaluable on financial decisions

Consumers recognised that they could help the price control process by offering their opinions but thought that expert opinion was required for more complex subject matters.

When discussing financial investments or signing off on final decisions consumers felt an expert opinion was necessary as they lacked the knowledge required to contribute.

Consumers also lacked confidence in their ability to discuss financial decisions. Many felt that they could confidently prioritise areas which they felt were important to them but the actual amount invested would need to be decided by experts.

Due to the technical nature of these discussions consumers felt an impartial representative (e.g. Citizens Advice) would be required to ensure their needs are met. This was to give them confidence that their input was being considered by the networks and Ofgem.

“It’s easy to talk to people if you take money out of it and give them something they can relate to”

Merthyr

“I can’t get my head around how to spend that much because I don’t know how much networks cost”

Leeds

““You would need a specialist in each topic area”

Leeds

CONCLUSIONS

Conclusions

- Initially, Panellists generally felt that their voice and opinion would be valuable in ongoing price control discussions, particularly where the topics were tangible to them, based on their experiences and current knowledge
- However, when going into further detail on the different aspects of price controls, they generally became less confident of their involvement in the process.
- Many thought that expert knowledge was required to represent their needs (e.g. through an independent body)

Principles of consumer engagement

The below are principles identified through the process of discussing price controls with consumers. They can be applied by Ofgem and Networks when seeking consumer input in the discussion of price controls...

Transparency Ofgem and Networks need to clearly articulate what input they require from consumers to provide them with the confidence and an understanding of what they are being asked	Understanding Consumers need to be aware of and understand what their position would be as a consumer representative and the responsibility of this role (e.g. recognising the need to be objective)	Clarity Consumers need to understand how their input will influence the price control process and how other decisions around price controls will be made.	Flexibility Consumers may have different levels of understanding and it's important that Ofgem and Networks are able to provide the right amount of information required by that individual to contribute to the process.	Confidence Consumers require support in order to contribute confidently to discussions, either through knowledge or in the form of discussions.
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RESEARCH APPROACH

Sample

We spoke to over 60 people who attended the second wave of the Consumer First Panel.

Ethnicities

White

Asian/ Asian British

Black African/Caribbean British

Mixed

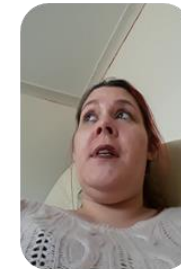
Gender and age

34 Women, 32 Men all aged 22-70

Energy

- A range of different suppliers, including smaller companies
- Mix of those who have recently switched tariff/supplier and those who never have
- Some in “fuel poverty”

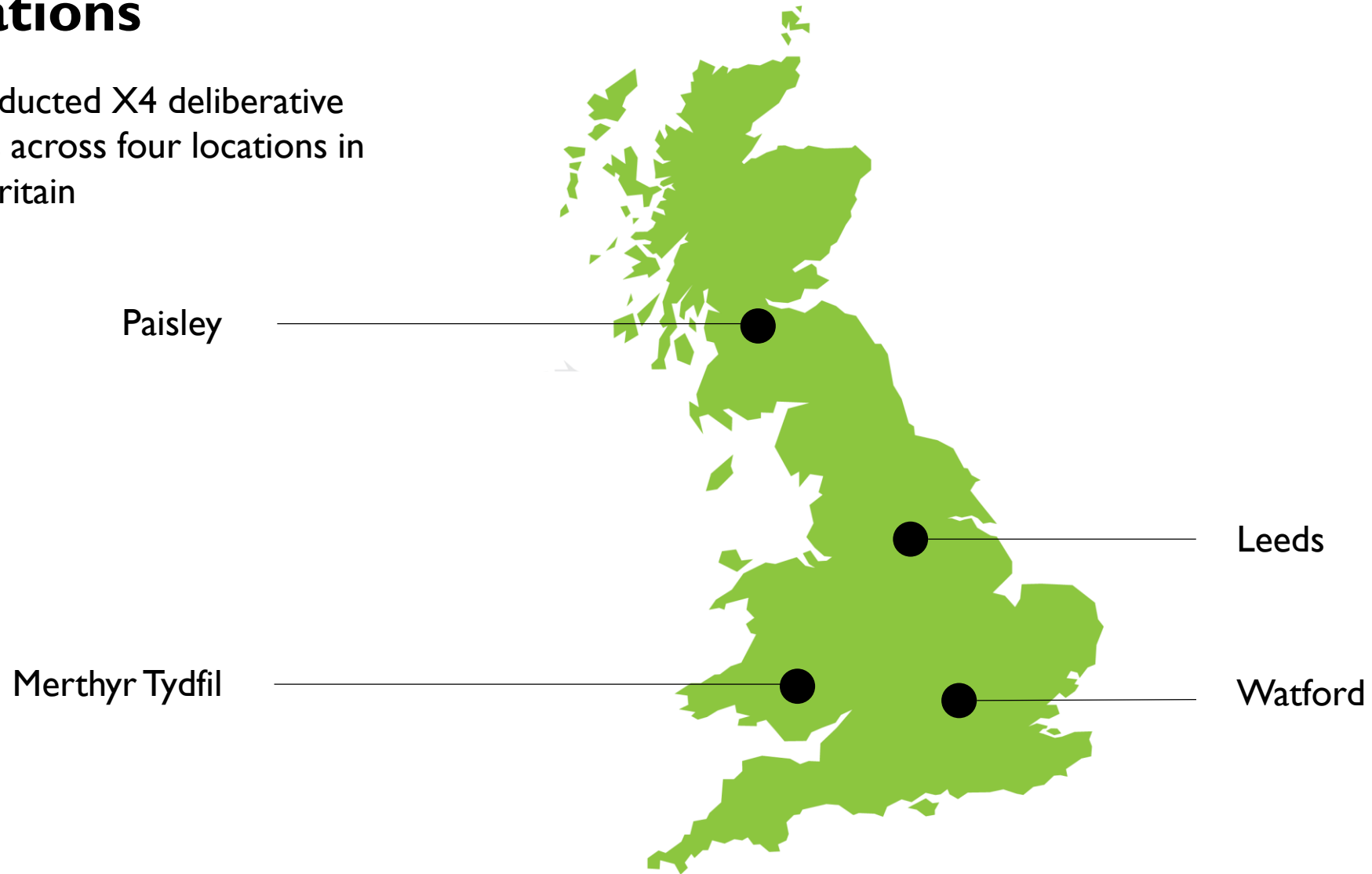
Included a mix of incomes, urban and rural housing, different employments etc.



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Locations

We conducted X4 deliberative sessions across four locations in Great Britain



Methodology

PHASE 1:
SET-UP & RESEARCH DESIGN

PHASE 2:
QUALITATIVE RESEARCH

PHASE 3:
ANALYSIS & DELIVERY

