

Energy Consumers Commission 2020/2021 Work Plan

November 2020

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1. Executive Summary

The energy market is undergoing a period of significant change that is only expected to increase over the coming years. In order to address these changes, the Energy Consumers Commission has been established to strengthen the voice of energy consumers in Scotland. An important part of this work will be tapping into and co-ordinating the information and knowledge available in grassroots organisations, helping to increase community engagement with national-scale strategic priorities.

This work plan sets out the overall aims of this body alongside the key issues it will look to address over 2020/2021 ahead of the establishment of Consumer Scotland in late 2021, we will review the work plan at the end of the 20/21 financial year to ensure that we remain focused on the issues that matter most to consumers in Scotland. Four key themes have been identified that will shape the work of the commission in its first year: **energy debt, supplier best practice and customer service, improving outcomes for vulnerable consumers and engagement with decarbonisation.**

Building on these themes, we have also set out a programme of focused spending on research projects and campaigns. These proposed projects will help to build the evidence base needed to inform policy and key decisions in the energy market as well helping to increase the engagement and awareness of consumers themselves. It is the Commission's aim that this first work plan will represent a significant step towards a fairer energy market for all to be built on by the work of the Commission and Consumer Scotland over the coming years.



Lewis Shand Smith

Chair of the Energy Consumers Commission

2. Introduction

In May 2019, The Scottish Government committed to establishing an independent Energy Consumers Commission (ECC) to enhance the voice of consumers who reside in Scotland within the energy market.

In Spring 2020, following an extended period of consultation with key stakeholders throughout the energy industry (and including the majority of the commission members), a draft remit was produced for the commission. This was approved by both the chair and the Minister for Energy, Connectivity and the Islands and has now been ratified by commission members.

The commission was formed in July 2020 consisting of representatives with a wealth of experience in national consumer advocacy and advice bodies, academia and local groups serving energy consumers in their communities.

This work plan sets out what the ECC will aim to achieve over a 12 month period. We intend to review progress and priorities at the end of the financial year to ensure relevance.

This work plan consists of a number of areas of activity. These include:

- Selected opportunities for the commission to engage in focused advocacy over the coming year on a number of key themes across a whole system focus.
- Plans to support and engage with grassroots organisations.
- Specific projects to be taken forward using funding from the energy advocacy levy.

The energy advocacy levy is paid by the energy industry to support advocacy on behalf of energy consumers. As part of a transition process to Consumer Scotland, the ECC will direct £170,000 worth of funding for work that will be delivered in the 2020/2021 financial year. Whilst the energy advocacy levy will fund the research/ campaigns work of the commission, Scottish Government funding will be used for other costs of the ECC ahead of its transition to Consumer Scotland.

2.1 Consumer Scotland

The Consumer Scotland Bill was introduced to the Scottish Parliament on 5 June 2019 and passed stage 3 in the Scottish Parliament on 6 May 2020. The Bill establishes a new public body – Consumer Scotland – to represent the views of consumers and take an evidence-based approach to tackling the most serious issues of consumer harm in Scotland.

The Scottish Government is working to establish Consumer Scotland in Autumn 2021. This organisation will direct the spend of consumer advocacy funding in Scotland raised through levies on consumer bills in the energy, water and post sectors.

The ECC will be incorporated into Consumer Scotland following its establishment, forming an experienced and wide ranging resource to lead on energy related work and input to relevant cross-sector projects. This process will provide an opportunity to re-assess the role and remit of the Commission following its first year and to further refine these as required.

3. Aims of the Commission

The ECC will incorporate a broad range of views and take a whole system approach, taking a wide definition of the energy system – including consumer interactions with networks and challenges outside of the regulated energy markets, in order to advocate on behalf of Scottish energy consumers to address the key challenges and opportunities they face.

Our aims are to achieve:

- **Improved outcomes for consumers in Scotland, particularly those in vulnerable circumstances.**
- **A clearer connection between the voices of consumers, and those that represent them, with decision makers in**

Government and industry.

- **The adoption of principles of inclusivity and fairness as we move to a decarbonised energy system.**

In all aspects of its work, the Commission will have due regard to equalities, shall not discriminate based on any protected characteristics and will aim to ensure that its processes and work plan encourage inclusivity.

The Commission will take a multi-level approach. In addition to its work in improving consumer outcomes through engagement with grassroots organisations and directing advocacy spending, it will also be a Strategic Leadership Group (SLG) within the Scottish Energy Advisory Board (SEAB).

SEAB provides a forum for high level discussion on energy challenges and opportunities and is co-chaired by the First Minister and Professor Jim McDonald of the University of Strathclyde. The chair of the ECC has been appointed as a member of SEAB and will input on the Commission's progress and priorities, providing valuable challenge on consumer needs and expectations.

The Commission will also utilise a collaborative approach, avoiding duplication with the work of the following bodies amongst others – the Just Transition Commission, Citizens Advice Scotland, Energy Action Scotland, Fuel Poverty Advisory Panel and other Scottish Government Strategic Leadership Groups.

4. Objectives for 2020/21

The ECC will adopt the following objectives:

- **Strengthen** the consumer voice within energy market decision making, including through; industry, the regulator, UK Government and SEAB.
- **Support** grassroots organisations to ensure the consumer voice

is heard from an array of previously underserved groups. These groups will include those representing various social and geographical communities in addition to common interest groups such as housing associations. Increasing capacity to engage with high level decision making amongst grassroots organisations.

- **Direct** consumer advocacy work using a portion of energy levy funding in Financial year 2020/21. We do not anticipate additional funding being required.

This approach will help move towards a fairer energy system for all consumers.

5. Priorities and Themes of Focus

Initial consultation between December 2019 and March 2020 was carried out and this identified a range of recurring issues for consumers, the most prominent of which are listed below:

- Energy debt
- Issues with Pre-Payment Meters
- Improving outcomes for off-grid heat consumers
- Instances of poor customer service and suppliers' responsiveness
- Restricted meters/tariffs

The above subjects were then streamlined into four themes. These themes are intended to take a whole system focus – addressing these broad issues across the entire energy industry.

- **Energy Debt**
- **Best Practice and Customer Service**
- **Improving Outcomes for Vulnerable Consumers**

- **Engagement with Decarbonisation**

A fuller description of each of the themes is included below:

5.1 Energy Debt

Energy costs have clear impacts on consumers and it is imperative that they are set fairly across the energy system, that consumers are able to understand the costs that they are subject to, reduce them where possible, and are given the opportunity to pay for their energy via a range of appropriate payment methods.

A key concern identified is energy debt. Under the definition set out in the Fuel Poverty Act of Summer 2019, 25% of households in Scotland are in fuel poverty. In addition, according to Step Change 25% of adults were showing at least one sign of financial distress (these include unauthorised overdrafts, missed mortgage payments etc) prior to the COVID-19 situation. The scale of these issues means that it is imperative to build on recent work by Ofgem to ensure that ability to pay principles are fully implemented in practice and to consider how to best manage the linkages between debt in the energy sector and other sources of debt. It is also highly likely that the COVID-19 pandemic will result in a further increase in debt overall amongst consumers which will have a knock-on impact on debt in the energy sector. It has been highlighted that these knock-on effects may not be apparent until Autumn/Winter 2020 at the earliest.

In the 2025 Consumer Vulnerability Strategy, Ofgem discusses a need for more research into the best means of communication with consumers to build understanding of energy debt. We believe this is especially true in relation to Scottish consumers experiencing or at risk of fuel poverty.

Consumers may also experience increased levels of debt in relation to energy payments outside of the regulated (electricity and gas) energy markets. These consumers do not necessarily experience the same level of protection as those in the regulated markets (although voluntary standards have been adopted in many cases) and may not have access to credit from energy suppliers themselves. In these cases consumers may be forced to seek alternate means of paying for energy leading to indirect energy debt.

The ECC will work to improve understanding of the factors impacting consumer energy costs and debt; and push for costs to be fairly and transparently set and collected.

5.2 Supplier Performance and Customer Service

In general, consumer satisfaction in the energy supply market has remained lower than it could be, with average customer satisfaction across the sector at 72% as of February 2020. These issues sit within a context of limited consumer awareness of both supplier obligations and paths to complaint resolution. Reports of poor supplier service following Supplier of Last Resort (SOLR) events in recent years are particularly concerning, including, in some cases, moves by insolvency agencies, who operate outside of Ofgem's remit, to quickly reclaim debt. In May 2020 Ofgem wrote directly to these agencies highlighting a pattern of poor practice in this area and setting out their expectations.

Further information on the issues faced by consumers without access to the gas grid would help to ensure that there are consistent standards. Currently consumers who are not connected to the gas grid either use electric heating, regulated by Ofgem, or a variety of other fuels (oil, gas biomass etc) which are unregulated.

The ECC will push for consistent, high standards for consumers across

the energy sector and work to identify and promote best practice.

5.3 Improving Outcomes for Consumers in Vulnerable Circumstances

In the short term, the COVID-19 pandemic may have a significant impact on consumers in vulnerable circumstances. Those in fuel poverty are especially at risk with a substantial proportion using pre-payment meters and at a particular risk of 'self-disconnecting' from their energy supply and/or self-rationing. Looking to the future, we only have limited insight into how the outbreak may impact consumers, especially those in vulnerable circumstances, within the wider energy market. As such, there is a need to gain understanding both of the immediate impacts of COVID-19 and also of the wider changes to the market overall due to the pandemic, and to engage to ensure that vulnerable consumers are properly considered as the energy market reacts to and recovers from the pandemic.

In terms of the wider industry, impacts may include changes to suppliers' communications with consumers, impacts on the supply chain for insulation and energy technology installations, maintenance etc., and impacts on consumers out with the regulated energy markets. Beyond this, Scotland has seen comparatively low uptake of Priority Service Registers (PSRs) in comparison with the rest of the UK. Given the current situation, these registers have never been more important in ensuring that support is provided to those that need it the most. There is a need to ensure that consumers eligible for support are registered to receive it.

Ensuring that less IT literate consumers retain the same access to resources and communication channels would also be a key concern in an increasingly digitised market.

There may be also impacts on consumers in vulnerable circumstances that

we are not yet aware of. The Commission will be responsive to these arising circumstances as required.

The ECC will work towards consumers in vulnerable circumstances being empowered to dynamically engage in a future energy market, and push for recognition that changes to the energy market can and should be inclusive and fair.

5.4 Engagement with Decarbonisation

The shift towards a decarbonised energy system will require detailed consideration of consumer pathways as they are required to utilise developing technologies throughout the energy sector. These include ultra-low emissions vehicles, aggregation technologies, home heating technologies such as heat pumps and, crucially, smart metering and subsequent opportunities for more granular management of home energy usage.

Levels of consumer understanding of, and access to, these technologies vary. For example, charging infrastructure for EVs varies considerably across household types and this can have subsequent knock on impacts on whether consumers can access the tariffs and savings associated with the flexibility market (e.g. consumers may lose out on potential benefits from using the battery for aggregation purposes). Also, access to heating technologies may be limited by local availability of trained installers and maintenance engineers which can negatively impact the viability of affected systems. The same is true of consumers using restricted meters who may struggle to access the benefits brought on by the smart meter transition. Scotland has a higher proportion of consumers using non-Economy 7 restricted meters than the rest of the UK.

There is also a need to build consumer engagement in energy systems

more generally as the investment required to drive a transition to net zero will have a significant impact on consumer bills. This will likely be the case until 2045 and further into the future.

The Commission will adopt a proactive approach, identifying prospective areas of development in the energy sector with impacts on consumers and engaging as appropriate. This is particularly relevant in the context of the transition to net zero.

The ECC will push for increased consideration of consumers in the development of a decarbonised energy system and work towards ensuring the benefits of decarbonisation, financial and otherwise, are shared fairly with consumers.

6. Overview of Approaches

To meet our aims and objectives we intend to take the following approaches to best support improved consumer outcomes. Each of these approaches will be focused around the identified themes above.

1. Research and campaigns - deliver specific projects to address identified areas of consumer detriment (energy advocacy levy funded).
2. Support Scotland's grassroots organisations and facilitate direct discourse with energy consumers through a variety of forums.
3. Engage with decision making on behalf of consumers in Scotland, with a particular focus on key decision points in the energy market.

Scottish Government funding will be made available to support day-to-day costs and to fund activities associated with approaches 2 and 3. Specific projects under approach 1 will be funded through a proportion of this year's energy levy funding and will be completed by the end of this financial year. This will be tendered according to Scottish Government procurement

guidelines/regulations to ensure best value and deliver high quality outputs.

7. Research

The Commission will deliver a programme of specific projects to be completed this financial year, addressing the priority themes that have been identified. Where research is undertaken the outcomes of that research will form a basis for further advocacy and practical projects in the following year. Work should where possible integrate the views of grassroots organisations and the lived experience of energy consumers. All work will be tendered according to Scottish Government procurement guidelines to ensure best value and deliver high quality outputs.

7.1 Energy Debt

This project will consist of a programme of research, commencing Q3 2020/21, to build understanding of the changing landscape for energy consumers in debt. This will take the form of a literature review and analysis of available quantitative and qualitative sources to gain an understanding of energy debt issues facing consumers in Scotland. Direct stakeholder research will be undertaken if appropriate.

The review will explore existing research on how the severity and impacts of energy debt vary across different technologies/fuel types, and how these may vary on a regional basis. A high level exploration of how these issues may link to overall systems of debt will also be included. This should also explore the best means of communicating with consumers to build understanding of energy debt – both within and outside the regulated energy markets.

The research will include a detailed look at systemic barriers to consumer debt mitigation (for example a lack of switching options) and how these barriers have changed in the light of changing industry priorities and

practices, especially stemming from COVID-19.

Where possible this research will utilise quantitative resources (for example the Scottish Housing Survey and local authority funded advice) to visually present the linkages between technologies, fuel types, debt, and fuel poverty, for example through maps etc. This research should seek to present information to the greatest detail offered by the available resources.

The work will consist of:

- Desk-based research that will include a detailed exploration of the energy debt landscape for consumers in Scotland across the regulated and unregulated markets, with a regional focus to the greatest extent possible.
- Further interviews with suppliers, community groups and/or directly with consumers as necessary.

7.2 Best Practice in Customer Service

The ECC will push for consistent, high standards for consumers across the energy sector and work to identify and promote best practice. There are a range of other initiatives in this area including the recent establishment of a vulnerability commitment by Energy UK and work by Ofgem on the supply license for new market entrants.

This work will be differentiated through its whole system approach. Taking into account the regulated and unregulated energy markets in addition to its focus on addressing issues raised by the COVID-19 situation which highlighted the need for supplier consistency and greater consumer engagement.

A survey of Scottish consumers across the energy sector would provide a firm baseline of Scottish-specific data for the commission to utilise to guide further project work in future work plans and general advocacy work. This work will be made up of a combination of phone and online survey methods in order to ensure that Scottish Consumers are not excluded and will query

consumers across the following themes.

- Energy supply – what fuel is used and how is this supplied
- Energy suppliers and switching – which suppliers do consumers use and which, if any, switching patterns exist between these
- Affordability
- Experience of their supplier’s customer service and other offerings/support.
- PSR uptake
- Engagement with decarbonisation (e.g. have consumers considered installation of new technologies)

The survey will obtain a sample that is representative of Scottish demographics and with a suitable geographic range and variety of fuel types used

7.3 Improving Outcomes for Consumers in Vulnerable Circumstances

Priority Service Registers provide access to a range of support for consumers in vulnerable circumstances. Uptake of these registers has lagged behind in Scotland in comparison with the rest of GB and this may mean that such consumers are not accessing the support they are entitled to. This is especially important given the challenges for consumers brought on by COVID-19.

The project will look at how suppliers and networks are promoting these services and examine the requirements set out in license obligations. Furthermore, the ECC would benefit from an expanded knowledge of whether PSRs are working for consumers, which aspects of these services are stronger, are consumers expectations met and whether PSR holders could go further in meeting expectations. This could build on recent Citizens Advice Scotland work in this area. The ECC would also benefit from a comprehensive look at eligibility criteria across PSRs and whether these are fit for purpose. In particular a look at research on our changing

understanding of vulnerability and how this correlates to PSR membership. Specific attention should be paid to financial vulnerability and how, if at all, this is considered in regards to PSRs. Consideration should be given to how these criteria can be expanded and to the potential benefits of this. All of this should be considered within the context of both COVID-19 and the energy systems transition, in particular how these events may change current definitions of vulnerability and how PSRs can be best designed to address these

Ultimately this will give the ECC a firm grounding for future work on how to fill gaps in provision of PSRs both in terms of services offered and eligibility requirements.

7.4 Engagement with Decarbonisation

This project will build an enhanced understanding of the current levels of knowledge amongst consumers of decarbonisation technologies and barriers to uptake, whether real or perceived. This will allow informed advocacy to target the areas most in need of change in the longer term.

The work will consider how communities can engage with decarbonisation technologies. There may be opportunities to tap into community-scale organisations to explore how the adoption of decarbonisation technologies can be encouraged in a way that best supports consumers, both individually in their own home and on a community basis, taking into account geographic considerations or consumers' economic or protected characteristics. This action will also need to consider how consumers who rent their property can be supported to effect change.

This work will consist of a review of existing information on consumer knowledge/engagement with decarbonisation across home energy, heat and transport. Further direct engagement with consumers or consumer organisations may be undertaken to further explore the issues identified.

8. Support for Grassroots Organisations

Grassroots organisations present a route to gaining granular insight into the issues affecting otherwise un-heard energy consumers. However, there are varying degrees of capacity within grassroots organisations as well as differing levels of knowledge of the powers and responsibilities of the various actors within the energy industry.

The ECC has an opportunity to tap into and co-ordinate the information and knowledge available in existing networks. By engaging with grassroots organisations across existing networks to share their knowledge, we can ensure that the goals of the ECC will more effectively align with the outcomes needed for all Scottish Consumers.

Depending on the scope of existing grassroots organisations, both in geographic communities or communities of interest, there may be a development or coordination role for the ECC.

Issues for consumers using the services of grassroots organisations will be brought to the attention of the ECC, including through work that is tendered externally, allowing groups representing a wide range of interests to contribute to national, strategic decisions and priorities. In order to reach across under-served communities, we will ensure that communication is as accessible as possible online and via any other relevant platforms

Information will also be disseminated to grass roots networks from the ECC to ensure that grassroots groups are aware of national-scale strategic priorities, the roles and responsibilities of all relevant parties, and what support programmes are available.

Actions:

- The ECC will map existing grassroots networks to determine what coverage exists in already available networks.
- The ECC will then enable the integration of the consumer voice into decision making and will ensure that grassroots organisations are informed of market changes and opportunities to influence.

9. Engagement in Decision Making

A timeline is included below of some of the key industry and government changes over the forthcoming 12 months. We anticipate that the ECC will engage in many of these to represent the needs of consumers in Scotland, with a focus on impacts on our priority areas. It will do so through a number of forums

- Direct Feed in to the Scottish Energy Advisory Board
- Ad-hoc advocacy on key issues through responses to consultations/ attendance in key groups

2020/2021 Q4

- RIIO-T2 and RIIO-GD2 are implemented (1st April)

2021/2022 Q1

- RIIO-ED2 networks to submit draft business plans to Ofgem and challenge group (July)

Scottish Specific Events/Publications

- Publication of Scottish Government's Fuel Poverty Strategy
- Publication of the Scottish Government's Heat Decarbonisation Policy Statement
- Publication of the Scottish Government's Climate Change

Plan Update

- Publication of the Scottish Government's Bioenergy Action Plan
- Passing of the Heat Networks (Scotland) Bill
- Just Transition Commission Final Report
- Hydrogen Policy Statement and Action Plan
- Scottish Net Zero Roadmap

Where deemed relevant by the Commission, the chair and/or other members will engage in opportunities to share their insight, and that of their network, through advocacy work. This may include membership of relevant working groups and responses to consultations From Ofgem, the UK Government and others.

To drive the Commission's advocacy work in these areas, the ECC will bring in additional expertise from key stakeholders in themed meetings. Relevant industry representation will be invited to these as well as Government, regulators, community groups and others as appropriate.

The Commission will consider and engage with the unique challenges faced by a diverse range of consumers across the energy market. These may include different ethnic groups, vulnerable consumers, different age groups and other protected characteristics. This may be through regular engagement and consultation with these consumers and representative bodies, and a requirement to consider the equalities impacts of any work.

Actions

- Scrutinise and respond formally to key consultations within the energy landscape.
- Members will engage with relevant bodies in the development of policies to ensure that the voice of consumers in Scotland is heard, representing views of grass roots organisations where

appropriate.

- Proactively raise issues where the ECC has identified that there is a risk of consumer harm, or opportunities to improve consumer outcomes. Arrange a series of focused meetings with key stakeholders to better understand specific concerns, disseminate best practice, or develop improved approaches to areas where consumers are at risk of harm.



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