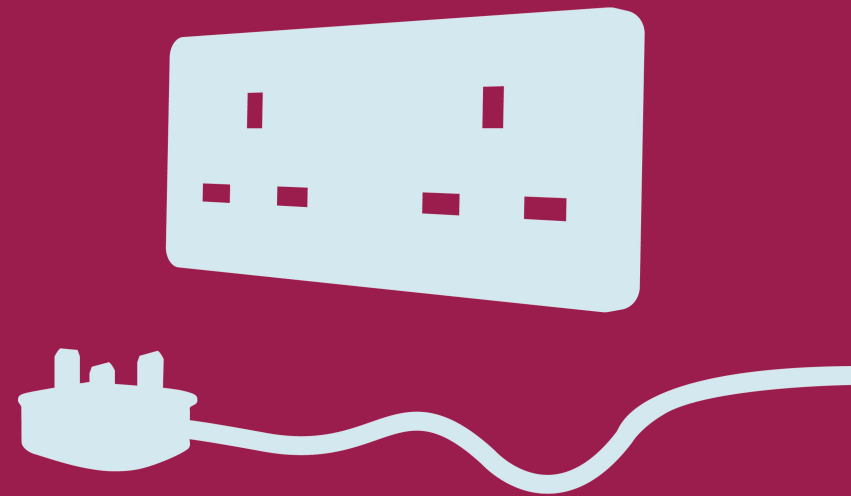


# Zero sum

How to prioritise consumer protections to ensure nobody is left behind on the path to net zero



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# Tackling the climate crisis

**Tackling the climate crisis is one of the most pressing challenges facing societies today, and meeting the UK's net zero target will have major implications for the people we help every day.**

In June 2019 the UK was the first major economy in the world to pass laws to end its contribution to global warming by 2050. The target means that we have to bring all greenhouse gas emissions to net zero by 2050, compared with the previous target of at least 80% reduction from 1990 levels.

Citizens Advice is fully behind the goal to achieve net zero. We know it won't be possible without the support and buy in of everybody in the country. There will need to be a lot of changes for people and their homes. Achieving net zero won't be possible without ensuring over 90% of homes have low carbon heating systems, up from just 4.5% today<sup>1</sup>. Low carbon heating systems such as heat pumps, biomass boilers, advanced storage heaters, heat networks and hydrogen boilers will need to be installed in over 29 million homes in the UK<sup>2</sup> - a monumental, once in a generation, task.

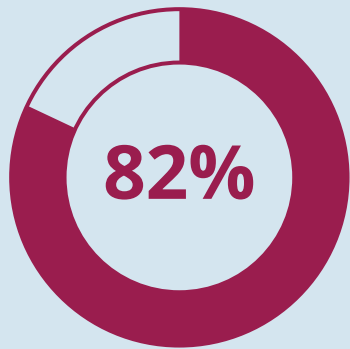
It will be essential to communicate and help people with these changes. Public support will be crucial for a successful transition to a low-carbon future.

## 3 issues to tackle today to help people tomorrow

- **The net zero regulation challenge.** Government and regulators should work together to create a net zero 'consumer protection promise'. This will ensure:
  - Consumer protections can evolve and adapt as the market, products and services change
  - Suitable support (including independent advice and redress) is available for people buying energy in different ways
  - People are protected and confident that regulators will take action in the event of a company failure, regardless of which market it happens in
- Companies providing energy products, services or supply must be required to make information about products and services transparent and accessible. This will be crucial to give consumers the confidence to engage with (and change) the way they use energy.
- The government's forthcoming heat policy roadmap must include specific consumer protections and a programme of support to ensure consumers are at the heart of the low-carbon transition.

# What people have told us about net zero

We asked a nationally representative sample of 2002 UK adults about their attitudes to net zero. Fieldwork was conducted online by Opinium between the 11th and 13th December 2019.



**Support the goal to reach net zero by 2050**

7/10 of who we polled were aware of the net zero target.

However a majority (52%) lack confidence that the UK can make the required changes to home heating systems.

**38% of people think they'll need to change the way they heat their home to meet net zero**



**But 90% of homes need to install low carbon heating systems to meet net zero<sup>3</sup>**

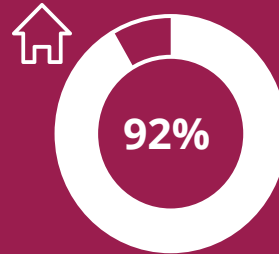


**And 44% of people realised they will have to switch to an electric car**

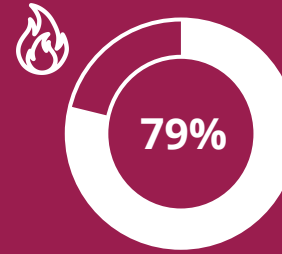


## Most people are happy to make changes needed to meet net zero

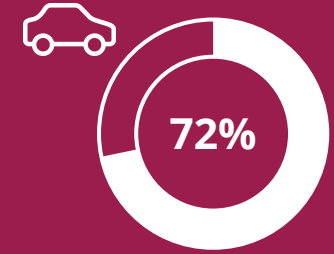
Make their home more energy efficient



Switch to low-carbon heating

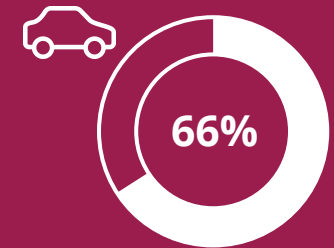
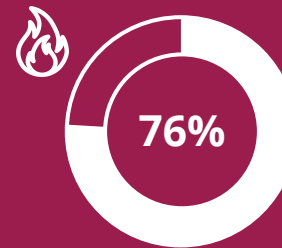
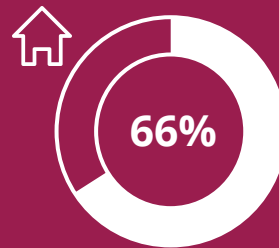


Switch to an electric car



## However, they need help to do so

Percent of those who are prepared to make the change who say they'd need advice or financial support



68% of people said they'd find it fairly or very difficult if they had to change the heating system to a low carbon option

## Top concerns as the energy market moves to net zero



The cost of energy



Making changes to their home



Having help and support



Knowing where to get help if something goes wrong

# What consumers need

The low carbon transition is not just about how we keep warm. The way Great Britain generates and uses power is changing dramatically. The energy market cannot and will not stay the same while this happens.





Energy is an essential for life service. Regardless of how people access their energy or heat their homes, everyone should expect fair prices, good customer service and a right to redress.

There are plans to end the sale of new conventional petrol and diesel cars and vans by 2040 - this means we need investment in how we generate power and maintain the pipes and wires that carry electricity to our homes and businesses. This investment is all paid for by consumers. Network costs make up nearly **a quarter of all bills**<sup>4</sup> and it's vital that consumers get value for money.

There will be lots of new technologies and services in people's home - from solar panels, to new heating systems, electric car chargers and home battery storage. This should lead to a better, tailored customer experience - but people will need support to engage and help if things go wrong.

**Whether changes are driven by policy, technology, logistics or consumer choice, it's essential that consumer protections form the foundation of the future energy market.**

This means:

-  Clear and easy to access information about products, services and options.
-  Access to independent advice, support and redress if things go wrong - including automated payments if a company doesn't deliver the guaranteed standards of service it is supposed to.
-  Communications that are designed around consumer needs and preferences. In particular, improved communication with consumers in vulnerable circumstances, which acknowledge, and meet customer needs and preferences.
-  User-friendly information about how data is used, stored, accessed and shared. Consumers must be able to control how often their data is shared, and who it's shared with.

# A rapidly changing market that needs to deliver to achieve net zero

In the last decade the energy market has changed significantly.

In 2009 there were 12 suppliers - now there are 64. Change in the supply market is fast and the price of failure is high: £172 million since January 2018 and counting<sup>5</sup>.

There's now an energy price cap to ensure that people are not paying too much simply because they can't or won't switch energy supplier.

Technology and digitisation are having a dramatic impact on our lives and homes, giving people more control but also potentially making things more complex.

Everyday products and services we purchase and use are driven by data and information, with smart meters giving people real time information about how much energy their home is using.

We now have more electric and hybrid vehicles on our roads, using electricity for transport.

Renewable electricity generation has reduced in cost dramatically (especially wind and solar power), which makes it an attractive investment for our future energy needs.

There has been an accompanying fall in the cost of battery storage which means we can store renewable energy.

There's also been a significant growth in the capacity of battery storage, which has increased by more than 50 per cent in the past year, from nearly 6,900MW to over 10,500MW<sup>6</sup>.

Energy network companies will need to work a lot harder to earn their returns, as Ofgem is looking to set a fairer cost of capital, saving £5bn<sup>7</sup>.

**The commitment to reach net zero by 2050 means the next decade will bring even greater change, at a rapid pace.** Overall, rapid uptake of electric vehicles and hybrid heat pumps could increase total expenditure on distribution networks by up to £50 billion by 2035, or £1.8 billion per year<sup>8</sup>.

It's likely that consumers will pay for the majority of these costs through their energy bills - we need to ensure investments deliver for everyone. Energy is an essential service, which is why it is so important to ensure that people in vulnerable situations are not negatively impacted by the way the market functions.

The energy market is becoming increasingly disrupted. In many ways this is exciting, but it's essential that everybody can participate and benefit from these opportunities.

# What will change in the next 30 years?



## How we get our energy: generation, networks and distribution

This includes phasing out coal and gas and considering the options for nuclear, offshore wind, onshore wind, solar, and battery storage. Also the role for network companies will evolve for transmission, distribution and the energy system operator, with potentially more private wires, small scale and micro renewables .



## How we buy our energy: supply

We anticipate there will be new business models, including third party intermediaries, dynamic tariffs that reward using energy when it's plentiful, community energy options, aggregators, peer to peer energy, new low carbon ways to heat our homes, using data for more intelligent switching, billing, customer service and complaints handling,



## Our homes: energy products and services

Our homes need to be made more energy efficient, and lots of other changes are already being introduced into homes including smart meters, home energy monitors, smart speakers, smart doorbells, light bulbs and thermostats. It is also anticipated that there will be more microgeneration, home energy storage, electric cars and chargers. Not everybody will be able to access and make the most of these technologies, for a variety of reasons. More and more people live in homes in the private rented sector - they mustn't be excluded from these opportunities.

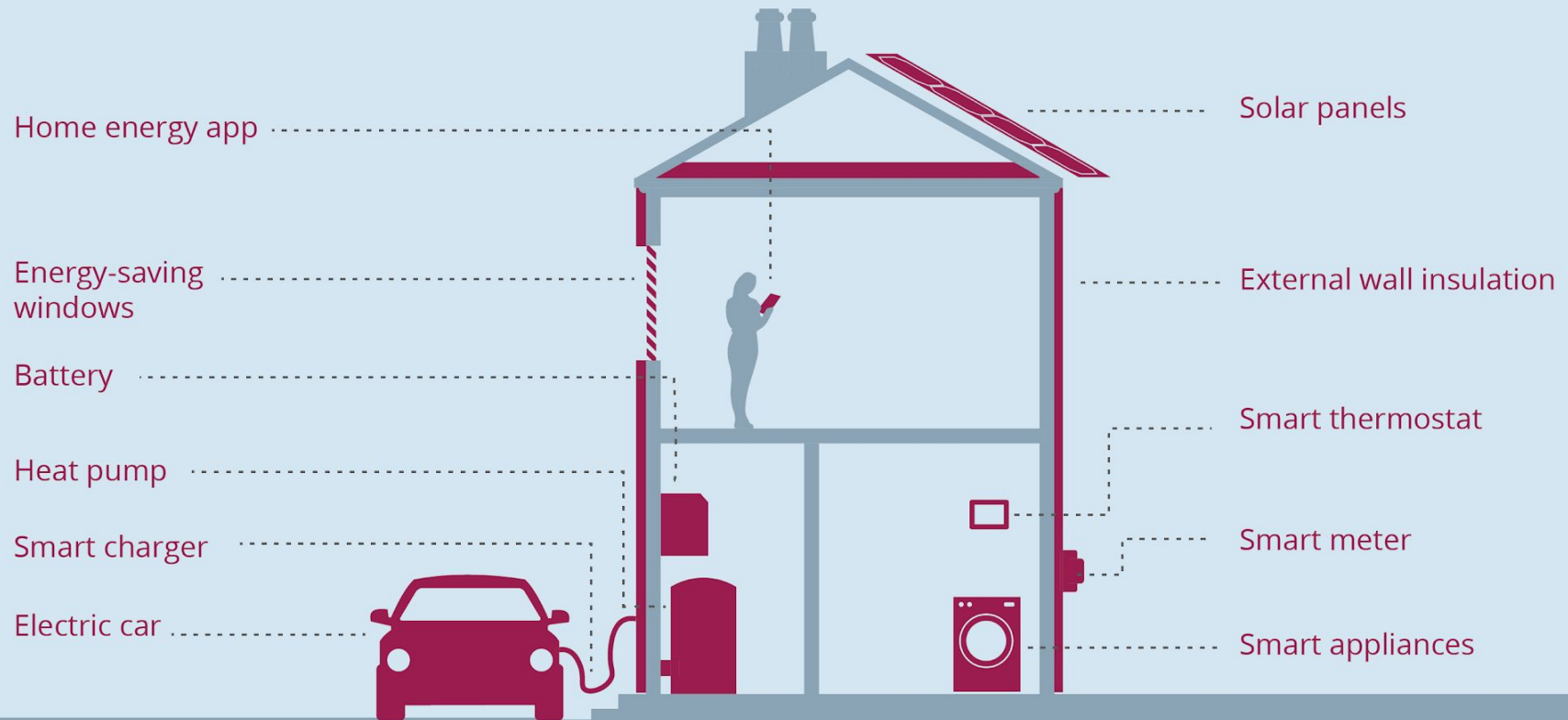
## Consumer views and opinions about these changes will be crucial.

People need to be confident that the future energy market will work for them. If people feel unable to engage they could face higher costs if they continue to use older, more carbon intensive technology. Government, the regulator and industry must actively seek input from people as plans for the energy market of tomorrow begin to take shape. There are numerous ways to do this - working with civil society organisations, citizens juries, consumer groups and panels are some of the options. The UK Climate Assembly is a great start.

Once these decisions have been made then people will need detailed advice and support to think about how to make their own, personal change, to their homes and lifestyles.

# Preparing for net zero in homes

This diagram shows some of the technologies that will need to be installed in homes to transition to net zero.





# The advice challenge

Consumer issues as we move to net zero

I have a problem with my electricity and appliances but I don't know who is responsible. How can I find out?

How do I pay less for my energy

Who can see my data?

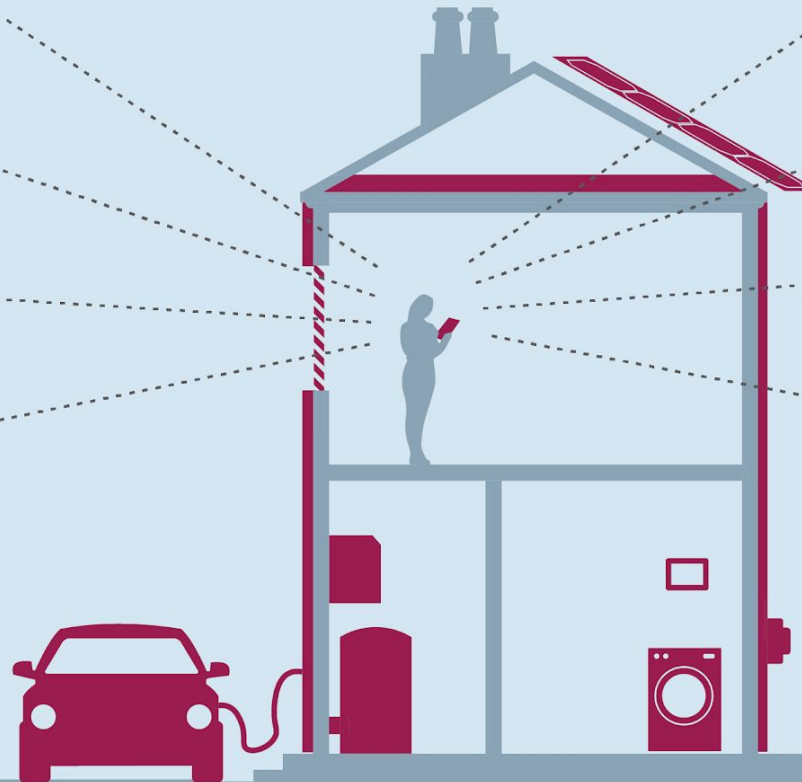
Which energy deal is right for me?

How do I solve the problem I'm having with my energy company?


What do I do if something goes wrong with the installation of my smart charger and solar panels?


Who is responsible for all this energy stuff in my rented flat?


What support can I get to help me make changes to my home?





# Why today's protections need to change for tomorrow

 **Decarbonising the way we heat our homes could be hugely intrusive.** It will require a huge shift in both consumer awareness and behaviour. Strong consumer protections will be essential to encourage people to engage and to protect people who can't make an active choice because they do not control the decisions made about their homes (e.g. people who live in privately rented homes).


 **New energy products and services won't neatly fit into just one 'market'.** Consumers shouldn't be left to work out what the cause of a problem is or how to get issues resolved.


 **Companies will need to access and use people's data to tailor the services they provide.** People will want to share and manage how their data is used for this.


 **Paying different prices at different times of day will become increasingly common** - everyone should have the option to access these tariffs using smart products and services, if they want to.

 **Multiple contracts for one home/person.** In the future market, the company providing energy to your home might not be the same as the company powering your car, and you may even have a third company paying you for exporting energy to the grid.

 **Bundling products and services** - might mean that people have one contract that covers various different services with multiple companies/products and service providers.

 **Local and community energy options** do not currently take a consistent approach to protecting consumers. In the future it will be important to ensure that consumers can easily get things put right when something goes wrong.

 **Using electricity for transport** - people won't necessarily view their car as a new electrical appliance - they'll want and expect to compare it to the way they used a petrol/diesel car. Customer interactions with EVs and smart charging will cut across a range of sectors, from tightly regulated, established sectors to new, largely unregulated ones.

 **Scale** -there are 64 energy supply companies and retail market regulation is struggling to keep up with the pace of change in the market. There are 17,000 heat networks, some very small for just a handful of homes, whilst others serve vast new developments. This variation poses a challenge as the government plans to regulate the market.

# Today's protections are not ready for net zero

What is it?	Why does it exist?	How and why does it need to improve?
Consumer Codes like RECC, HEIS, GGF and Trustmark Quality mark	Various codes exist to protect consumers and promote household renewables	Consumers should have a clear understanding of what to expect when energy products or services are installed in their home. There are too many codes. Consumers need one, easy to understand system to protect and cover all low carbon technologies in the home.
Energy and prepayment price caps	To make sure people pay a fair price	Turn today's temporary protection into enduring protection for the most vulnerable consumers, while also making the market work better for the able to pay.
Social obligations	To support consumers in vulnerable circumstances	Consumers should have the same level of protection regardless of which energy products and services they use.
Data Access and Privacy Framework for smart meter data	To keep data secure and give consumers confidence	Consumers should have options to easily see, control and amend which companies have permission to access their energy usage data.
Guaranteed Standards of service from energy network and supply companies	To ensure people get good customer service	Guaranteed standards only currently apply to licensed companies. These standards need to move with the times and represent 21st century customer service. When companies don't meet guaranteed minimum standards they should all pay compensation automatically without the consumer having to claim it.

# Today's protections are not ready for net zero

What is it?	Why does it exist?	How and why does it need to improve?
Complaint handling standard - <i>any expression of dissatisfaction is a complaint</i>	To enable consumers to get their issue handled appropriately	The complaint handling standards are relatively prescriptive rules that currently apply to networks and suppliers only. We need a tougher and more flexible set of standards that cover a range of companies, including those offering new energy products and services, to ensure complaints are well handled.
Independent consumer advice, alternative dispute resolution and additional support for consumers in vulnerable circumstances.	To ensure consumers have advice and support when engaging with the energy market	Consumers need to be able to access the same support, regardless of what energy products and services they use.
Backbilling	To ensure customers are not charged for extended billing errors by their supplier	Smart metering should lead to accurate billing. The onus should be on companies to ensure accuracy of bills. If the benefits of smart metering are not delivered the regulator should step in and take action.
Ofgem's Supplier of Last Resort and Safety Net	To ensure continuity of service when a supplier fails, and to protect credit balances	Bundled products and services may mean that supplier failures incur costs for customers related to products, and could be moved to a new contract which doesn't match their needs. If higher credit balances are used in future as transport and heat are electrified, the cost of credit support could rise significantly. Companies need to bear more of the responsibility for protecting credit.
Heat Network Voluntary codes for standards of service	To encourage best practice in lieu of regulations	Heat Trust is voluntary and not all heat networks networks are members. There is no enforcement activity as they are not regulated. This must improve when heat networks regulation is introduced.

# Not everyone has the same access to the energy market<sup>9</sup>



4.5m households live in GB private rented homes

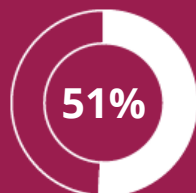
Innovators should consider how incentives for new energy technologies can be split between tenants and landlords. Regulatory barriers to this should be minimised

186,000



energy issues were raised with Citizens Advice last year

Policymakers and regulators should ensure regardless of how people receive their energy, they always have access to advice and redress



51% of respondents were not comfortable sharing near real-time energy data

Consumers should retain access to, and control over, their energy use data by default



1 in 4 UK adults don't have a saving or investment product

The government should explore provision of grants and low-interest loans for new energy technologies



5.3m UK adults are non-internet users

Energy service providers should offer non-digital ways of signing up, staying in contact and managing services

# Helping people to feel confident about the changing energy market

**Citizens Advice is the statutory advocate for energy consumers. We'll be playing our part to support people through the low carbon transition and journey to net zero<sup>10</sup>.**

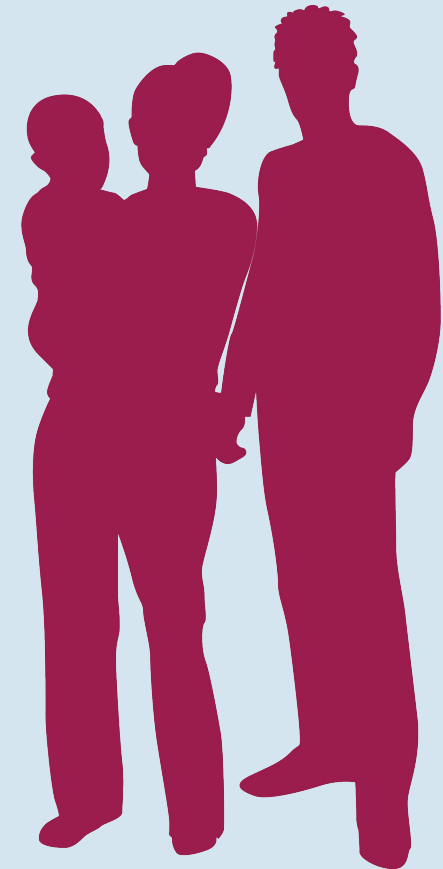
We have a track record of representing consumer interests and influencing big energy infrastructure projects. The smart meter rollout is the most recent infrastructure project that directly affected people's homes. It is a vital project to help Great Britain manage its energy use and we have secured significant protections for consumers on issues like data privacy and installation standards. However, technical difficulties, delays and increasing costs can still make it challenging for consumers to engage with confidence.

Net zero is the next big challenge. Reaching net zero will need people to make radical changes to their homes, on a bigger and more intrusive scale. Citizens Advice wants government,

industry and the regulator to learn from the smart meter rollout and consider how to support and protect consumers from the outset as they prepare for these changes.

From policy and support mechanisms to advice and redress options, consumer protections are vital if we expect people to engage with confidence.

Regardless of how complex some of these issues might seem, the approach taken to protect consumers does not have to be complicated or confusing for people. It will require a strategic and joined up approach at all levels, to ensure that there is a seamless consumer journey for everybody who needs help - regardless of what their issue is, how they get in touch or what they need help with.



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