



Consumer First

- Panel Group Summary

Ofgem's Consumer Panel – outcomes from **second** workshop

In March 2007, we launched the Consumer First programme, an initiative to help improve our understanding of what really matters to consumers and to increase direct consumer contributions to Ofgem's deliberations over policy matters impacting on customers. Part of this programme is Ofgem's Consumer Panel – 100 everyday customers recruited from five locations across Great Britain (London, Leicester, Beverley, Caernarfon and West Glasgow). They are a unique resource that we can call on regularly to provide feedback on key energy topics and regulatory issues, and act as the genuine voice of the consumer.

This summary covers the Panel's second workshop held in January and February 2009, where it considered issues as part of our 'Future Consumers' work and deliberated on consumer information remedies that Ofgem is working on as a result of recommendations arising from Ofgem's probe into energy markets (a simple aid to price comparison, an annual statement, and improved billing information¹).

Involvement in the Ofgem Consumer Panel appears to be having an impact on some participants in terms of increasing awareness of energy wastage and their options as customers. Participants report making small changes around the home to cut down on energy costs and some gave examples of being more proactive in their engagement with suppliers. However, suspicion about the reasons for high energy prices in the UK remain at the forefront of many consumers' minds and some continue to experience frustrations with their suppliers over customer service issues which may dampen enthusiasm to engage more fully with the energy market.

¹The billing information aspect of the research was supplemented with: one low income family focus group; one low income 75+ focus group and six low literacy depth interviews.



Highlights from the five workshops

Future Consumers

- The majority of Panellists assume the future consumer will be 'greener' - but there is a sense that it will be future generations and Government intervention not 'you and I' will make major change happen.

- Future consumers will have the resources to meet the challenges, but most panel members consider them to be unavailable at the moment. They also believe that the cost to make changes in the current economic situation would be too expensive.

- More efficient energy use in the home is a 'must have' for the future. There is an assumption that rising costs, coupled with increased knowledge and support from the Government will encourage this.

Billing information and price metrics

- There is a need for clarity on the cost of energy used shown on the bill and the way bills are calculated.

- The most commonly understood parts of the bill are simply "the big black number at the bottom" the amount owed.

- Pricing metrics are understood to be useful as long as the level of information presented does not require additional calculations.

- Simplicity is the key, whether through overhauling tariffs or simply refining presentation to take the burden off the consumer.

Future Consumers – key findings

In this part of the workshop Panellists considered the future of the energy market, informed by Ofgem's Long-Term Electricity Networks Scenarios (LENS) . The main objective of the LENS project is to facilitate the development of a range of future electricity network scenarios for Great Britain (GB) for 2050, around which industry participants, Government, Ofgem and other stakeholders can discuss longer term network issues.

The majority of Panellists struggle to consider how life would be different in 20 years time, and particularly found it hard to consider the 'bigger picture'. However, they did discuss smaller step changes, for example how they live their lives currently, and how this may alter in terms of what may be achievable and affordable.

When asked to think about consumer engagement, the majority of panellists assume the future consumer will be a 'greener' one, with future generations and Government intervention making major change happen, rather than 'you and I'. Panel members assume that the future consumer will be more engaged with the energy market, and believe more efficient energy use in the home is a 'must have' for the future. There is an assumption that rising costs, coupled with increased knowledge and support from the Government will encourage these changes.

Many see infrastructural changes in the home and the wider environment likely, for example, efficient heating systems, energy efficient appliances and improved transport infrastructure. On a more personal level, most can foresee smaller changes with immediate impact taking place such as the use of energy-efficient light bulbs and 'standby killers'.

A few acknowledge smart meters and micro-generation as potential ways of becoming more engaged with the energy market and being more energy efficient, however larger changes are not generally seen as immediate or likely. Overwhelming and sometimes conflicting information on energy efficiency from suppliers, the media and the Government is also felt to be a barrier to change.

For many, the level of engagement in the energy market is related to environmental issues. Most stated this is due to the fact that the environmental message is prominent in the media, and this is the area where participants feel there are tangible actions they can take. There is a widespread view that the Government will need to step in to support the infrastructural changes deemed necessary and provide the information needed for consumers to embark on some of the larger step change behaviour.

Greater Government intervention is felt to be likely in the future. Panel members feel industry and Government will need to work together, with industry developing and innovating with the safety net of Government regulation. Panel members say this partnership must work together to develop the industry whilst protecting the consumer. Participants feel this will allow the market to be run by the 'experts' (business) and regulated by the state.



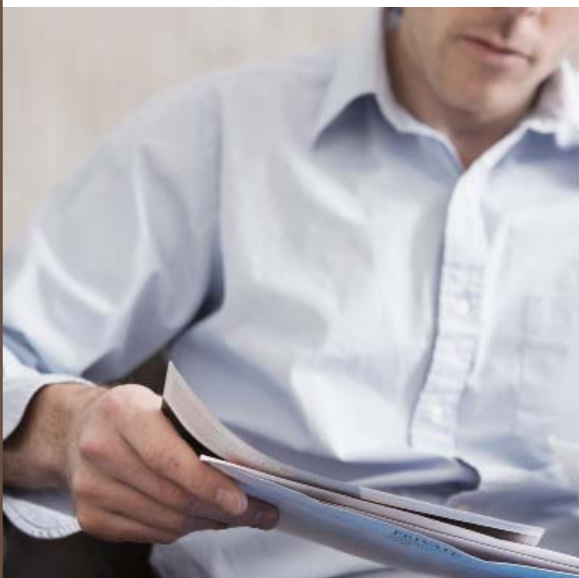
Panel members believe more efficient energy use in the home is a 'must have' for the future.

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Billing information and price metrics – key findings

In terms of energy billing, many consumers are confused by their current bills, particularly when it comes to costs, usage, tiered rates and suppliers' own calculations. The key piece of information that consumers are interested in is what they owe, although information to explain their usage and costs is viewed as important, especially in the context of comparing suppliers and cutting down on energy use to save money.



However, many consumers currently feel that bills can be confusing and identify areas for improvement.

The ideal bill should:

- enable customers to understand their usage clearly;
- make different charges in different tiers made easier to understand;
- advise on possible savings; and
- give appliance energy usage to better inform behavioural changes.

(Billing information and price metrics – key findings continued)

The level of engagement with energy bills is variable. People who check their bills in depth and understand the detail are the minority.

This leaves a large group of individuals who could engage with their energy bills more effectively if the information was clearly presented and intelligently signposted.

During the workshops, Panellists were presented with mock-up price metrics and examples of bills. They were asked to consider the usefulness of each of these information prompts to understand whether they would be encouraged to take any particular actions or change their behaviour. Visual information that explains how a KWh translates into appliance usage is particularly popular amongst consumers who believe that this will help them to understand their energy costs better and make necessary changes.

In addition, finding out from suppliers if you are a high/medium/low user of energy is seen to have benefits, although some question what assumptions this information would be based on.



In view of the range of billing information, consumers felt that the essential pieces of information regular bills should include are:

- cost (amount owed);
- average Kwh cost during the billing period;
- what KWh means in terms of appliance usage;
- tariff information / options;
- usage classification (high / medium / low) - although some question the assumptions this is based on and how it should be presented; and
- payment method (such as Direct Debit).

Many wanted simple price information to make it easier to compare suppliers and savings, particularly when related to their specific level of energy usage (low/medium/high). It is felt to be important that this information is consistently presented across different energy companies.

Simplicity of the metric information is the key point, whether through overhauling tariffs (which are currently not well

understood) or refining the presentation to take the burden off the customer in working out cost savings.

As well as the workshops, academic and consumer research was undertaken, some of which will help inform our market probe work. These reports can be found on Ofgem's website: <http://www.ofgem.gov.uk/Consumers/CF/Pages/CF.aspx>

For further information contact consumer.first@ofgem.gov.uk