



Consumer Futures Unit Work Plan 2018-19





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About us

The Consumer Futures Unit (CFU) is part of Citizens Advice Scotland (CAS), helping to build a fairer society by:

- > Enhancing and adding value for the Citizens Advice network in Scotland.
- > Influencing for positive change.

We use research and evidence to put consumers at the heart of policy and regulation in the energy, post and water sectors in Scotland. We work with government, regulators and business to put consumers first, designing policy and practice around their needs and aspirations. The CFU helps develop CAS' strategic focus on advocacy and influence, championing the interests of consumers and bringing about change.

The CFU's seven consumer principles help us identify and evaluate consumer issues.

Consumer Principles



Our work is two-fold. We combine high quality research, first hand consumer case studies from across the Citizens Advice Scotland network (including Scotland's Citizens Advice Bureaux, the Citizens Advice Service consumer helpline and the specialist Extra Help Unit), and industry monitoring to identify and analyse existing and potential consumer issues.

This work allows us to then engage with decision makers in government, companies and regulators and achieve changes that will benefit consumers in Scotland. Without our evidence base, we could not provide robust recommendations, and without our advocacy work, our evidence would be wasted.

The CFU's expertise in research, policy and advocacy allows us to enhance the influencing capacity of the Scottish Citizens Advice Bureaux network, while being embedded in the network enhances our insight into frontline issues.



Foreword

Putting consumers first: it's how we operate. The Consumer Futures Unit (CFU) of Citizens Advice Scotland (CAS) is the independent advocate for energy, postal and water consumers in Scotland, and seeks to ensure they're put first in policy, regulation and practice.

Our work benefits from being part of the CAS network. Together we form a virtuous circle of advice and advocacy, each part informing the other. The CFU gains insight into consumer problems from our Extra Help Unit, Citizens Advice Bureaux and the Citizens Advice Consumer service helpline. This includes issues ranging from pre-payment meters, to parcel surcharging and water debt. In turn, our advocacy on behalf of consumers helps address the issues dealt with on a day-to-day basis by our advice services.

In this work plan we focus on:

- > Supporting and protecting consumers, including those who are vulnerable, or have financial problems.
- > Ensuring that markets work for consumers, delivering value for money, and when things go wrong, redress.
- > Putting the consumer interest first in the design and delivery of infrastructure.
- > Working to ensure consumers have access to the services they need regardless of their geographical location in Scotland.

The work we are doing this year will include collaboration with our social policy colleagues on issues such as debt, universal credit and scams.

Utility industries are changing rapidly. This is having, and will continue to have a considerable impact on consumers, from the way they interact with services, to what they pay for them. Inequalities persist across, and within, markets.

Technology advances at an ever-increasing rate, and will result in changes to consumer behaviour and infrastructure.

Efforts to transition to a low carbon economy, such as promoting electric vehicles, bring with them policy and cost implications. The referendum on leaving the European Union is likely to lead to changes in where and how utility markets are regulated.

In Scotland in particular utilities need to plan to meet the twin challenges of population shift and changing weather patterns. By 2050 it is predicted that there will be more intense periods of winter rainfall in the west and east of Scotland¹. There is also expected to be a significant population shift within Scotland, which can broadly be characterised as being from west to east². By 2037 the population of Inverclyde is projected to decrease by 19.4%, and that of Argyll and Bute by 13.5%. In contrast Perth and Kinross is expected to grow by 24.2%, Edinburgh by 28.2% and Aberdeen by 28.4%. This will necessitate infrastructure changes and investment by Scottish Water and the energy network companies, which will have significant consumer impacts.

With so much change, our role as the independent consumer advocate is critical. We seek to be constructive, helping companies, regulators and government design policy and practice around current and future consumers, but challenging them when things aren't working in consumers' interests.

We focus our efforts where they are most needed. Sometimes, that means addressing existing consumer detriment. At other times, it means researching an issue to better understand its causes and impact, or focusing on influencing practice and policy as it develops from the start so that it works in consumers interest.

¹ [Committee on Climate Change \(2017\) UK Climate Change Risk Assessment Synthesis report 2017 : priorities for the next five years](#)

² [National Records of Scotland \(2014\) Population Projections for Scottish areas \(2012-based\)](#)

It is an approach that works. Following from our work, in recent months we have seen:

- > Progress in taking forward the CFU's recommendations to design Scotland's Energy Efficiency Programme (SEEP) around consumers, which could help upgrade around 1.5 million homes.
- > Extensive industry, political and media interest in our research into parcels surcharging, which affects up to one million consumers, with commitments to further engagement and action from parcels operators, and the UK and Scottish governments.
- > The establishment of the water Customer Forum to ensure the interests of 2.5 million households are at the heart of Scottish Water's 2021-27 Business Plan.
- > Businesses on unmetered water charges, that win rateable value appeals, seeing an immediate reduction in their unmetered bills.
- > Partnership working with key industry and regulatory stakeholders to ensure that our project to make the registration of vulnerable consumers easier and more effective can bring about real change.

Over the past year, we've continued to work in partnership with colleagues in other organisations where relevant, most notably those in the Consumer Council for Northern Ireland, and Citizens Advice (England and Wales), and look forward to continuing these close relationships in 2018-19. Working with the other consumer advocacy bodies in the UK allows us to reduce duplication of effort and share knowledge.

This, our work plan for 2018-19, sets out the specific projects the CFU will be working on in the coming year. As we do every year, we'll also balance our work to respond to relevant political, economic, social or technological developments as they arise. The input of our stakeholders, during both informal and formal consultation processes, has been valuable as this plan has been developed, and we are grateful for their contributions and support.

Sam Ghibaldan
Head of the Consumer Futures Unit

Executive Summary

Following an evidence gathering process and engaging with key stakeholders, the Consumer Futures Unit in Citizens Advice Scotland has prioritised 14 primary areas for research and advocacy in 2018/19. These are grouped below:

ENERGY

- E1: Getting home energy efficiency right for Scotland
- E2: Energy efficiency support in the private rented sector
- E3: Exploring how energy prices could be reduced in Scotland
- E4: Pylons and wires: ensuring that electricity networks are a good deal for consumers

POST

- P1: Reducing consumer detriment from location-based delivery surcharging
- P2: Monitoring and maintaining Outreach services
- P3: Complaints: understanding and improving their handling, redress and information

WATER

- W1: Fair and affordable water and sewerage charges for all
- W2: Fair debt management
- W3: Treatment system choice in private water supplies
- W4: Resilience and consumers' appetites for risk

Cross-Sector

- CS1: Simpler registration for consumers in vulnerable situations - continued from 2017-18
- CS2: Annual consumer tracker survey
- CS3: Consumer principles toolkit

As well as the projects outlined above, we know that some of our work each year will always be responsive to wider shifts in the consumer landscape – to legislation, consultations or industry changes – and we need to react to such developments as they arise. As such, we will also monitor relevant actors and trends throughout the year and balance our proposed planned work above with any responsive work that may be required.



ENERGY



KEY THEMES

- > Consumer engagement with retail energy markets
- > Energy efficiency and fuel poverty
- > Networks, low carbon technologies and consumer benefits

Introduction

The vast majority of consumers in Scotland are part of the GB energy market. Energy companies sell power across the nations and, for electricity and gas, are regulated at a GB level. However, a variety of energy-related policy levers are devolved to the Scottish Government including renewable energy targets, energy efficiency, heat and the approach taken to tackle the nation's fuel poverty. There is significant interplay between these issues and across the devolved and reserved boundaries.

When these structural issues are combined with Scotland's distinct geography and population distribution, a considerable number of energy consumer issues arise. The CFU addresses these, researching evidence and taking forward action with government, Ofgem and energy companies. Our analysis of these issues, and our engagement with stakeholders in recent months, has led us to prioritise the energy projects contained in this work plan for 2018-19.

The energy market continues to undergo rapid transformation. Guiding these changes is the aim to lower carbon emissions to meet the nation's climate change targets, whilst reducing household fuel bills and ensuring the security of supply.

Rapidly developing technology, aging energy infrastructure, restricted public spending and the uncertain impacts of the UK leaving the European Union can all present challenges to this aim. How these challenges are met impacts on household energy bills and their affordability.

For these reasons, the route to a low carbon energy market is likely to differ in Scotland. The Scottish Government is developing a Climate Change Plan, together with a new Climate Change Bill, and new objectives for tackling fuel poverty. In December 2017, the Scottish Government published a new Energy Strategy that outlines the roadmap towards Scotland's low carbon future³, including an energy consumer action plan. The Scottish Government has also announced plans to set up a publically-owned energy company in order to provide lower cost electricity to households.

This rapidly changing and complex energy landscape is why an independent energy advocate working to represent the needs of Scotland's consumers is vital. Our research and advocacy in 2018-19 aims to influence some decisions on these important issues.

³ Scottish Government (2017) [Scottish Energy Strategy: The Future of Energy in Scotland](#)

We hope to address some of the key issues facing Scottish consumers, seeking evidence to understand consumer views and the impacts of policy decisions. The projects and themes we are working to are outlined in further detail below.

Consumer engagement with retail energy markets

The energy market is changing fast with, new market entrants, new business models, new technologies and new services. The impacts of these disruptive changes are not yet fully understood. The future energy market will raise a number of regulatory challenges, which Ofgem aims to address in part by continuing its move toward a principles-based regulatory model. This is intended to increase the effectiveness of regulation in an evolving market, but will also increase the need for monitoring and acting on industry bad practice.

To ensure that Scottish consumers are represented within the GB energy market, we will work to enhance the way that we monitor and report on energy issues that consumers bring to the Citizens Advice Bureaux and Citizens Advice Consumer Helpline in Scotland. Combining this with the Extra Help Unit's (EHU) direct regular engagement with suppliers will allow us to act more effectively on behalf of consumers facing detriment and help tackle bad practice. We will also work to look at how energy prices can be reduced in Scotland.

In 2017-18 we published research and made recommendations for the regulation of district heating in Scotland to protect consumers. We were invited to present our findings at Scottish Government workshops in December 2017 and we will continue our work to advocate for greater consumer protection for district heating consumers in the coming year.

Energy efficiency and fuel poverty

Fuel poverty is a persistent issue in Scotland with current rates at 26.5% of the population⁴. This number has fallen over recent years, though this is largely attributable to lower wholesale energy costs, which have again started to rise⁵. Supporting efforts to tackle fuel poverty remains a key focus of the CFU and we will continue advocacy on this issue, not least through our membership of two new bodies established by the Scottish Government: the Fuel Poverty Advisory Group, and the Partnership Forum.

This advocacy work will be informed by the research we undertook in 2017-18 to further understand the circumstances and support needs of fuel poor consumers. These findings will be fed into the Scottish Government's consultation on a new fuel poverty strategy and an insight report will be published in 2018. We will continue to highlight the issues faced by consumers in fuel poverty in 2018-19, and work to support frontline advisors across the network to stay up to date with fuel poverty policy.

Energy efficiency is largely devolved in Scotland. Improving the energy efficiency of buildings is one of the key levers that the Scottish Government holds to improve housing, lower energy bills and reduce household carbon emissions. The energy efficiency landscape is complex for consumers with a myriad of short term schemes to navigate, concerns over scams and examples of poor workmanship. For those experiencing detriment in this market, consumer protection has often been insufficient.

The CFU will work alongside key stakeholders to ensure that the design of Scotland's Energy Efficiency Programme (SEEP) will make it easy and attractive for consumers to upgrade the energy efficiency of their homes.

⁴ [Scottish Government \(2017\) Scottish House Condition Survey: 2016 Key Findings](#)

⁵ [CFU \(2017\) Retail Energy Price Increases Briefing Sheet](#)

We know that households in the private rented sector are more likely to live in cold, energy inefficient homes⁶.

Key announcements on new minimum energy efficiency standards in the private rented sector are expected in 2018. We will work to help ensure that any new regulations are successfully implemented to improve living conditions for households. We hope this work will contribute to eventually eliminating energy efficiency as a cause of fuel poverty in the private rented housing sector.

Networks, low carbon technologies and consumer benefits

The way we use and generate energy is changing. We are shifting from a centralised transmission network to a more local distributed network, with intermittent generation from renewable electricity. The roll out of smart meters, together with the expected rise of electric vehicles⁷, heat pumps and smart storage, will further change the way the grid has to be balanced toward a demand-side-response market.

The regulator, Ofgem, and energy network companies must innovate to future-proof for these changes, and to replace ageing infrastructure with smarter technology. Consumers will be expected to pay for substantial portions of this network change through their energy bills, in addition to the rising costs of heating a home. We are already seeing smarter technology and innovative business models entering the energy market at a rapid pace.

It remains to be seen however, which technologies and tariff options will win out and how consumers will react to changes. There is a risk that less able or less engaged consumers will get left behind in the shift to demand-side-response, and shoulder a greater proportion of network charge costs as a result. It is therefore critical that we ensure any policy or change is designed around consumers' needs.

Cross-sector projects, wider work and energy

Wider energy policy concerns are also reflected in our proposed cross-sector projects, particularly in relation to vulnerable consumers. We will continue with our research into how to improve the registration of vulnerable consumers, and collaborate with stakeholders across different sectors to bring about change.

In line with stakeholder expectations, we will seek to improve our evidence base in 2018-19 in relation to energy issues that Scottish consumers face. This will enable us to better identify ways in which circumstances in Scotland are different from other GB nations and therefore require bespoke approaches to deliver outcomes.

We will collaborate to share knowledge and insight from our research and advocacy work, and take on lessons from the wider network on the impact of policies in practice.

⁶ [Scottish Government \(2016\) Scottish House Condition Survey 2015: Key Findings](#)

⁷ [The Programme for Government 2017-18](#) stated that the need for new petrol and diesel cars and vans will be phased out by 2032 in Scotland, while the UK Government plan to ban the sale of diesel and petrol cars and vans from 2040.

E1: Getting home energy efficiency right for Scotland

The issue

SEEP (Scotland's Energy Efficiency Programme) will be introduced from 2018, replacing aspects of previous UK and Scottish energy efficiency programmes with a fresh approach to delivery. Around 1.4m Scottish homes are below the "good" EPC rating of "C", and could require upgrading over the long-term lifetime of SEEP⁸.

An essential aspect of the new SEEP framework will be consumer protection and redress. The experience consumers have had of previous installation schemes such as the Green Deal⁹ indicates that redress is a vital component of a new framework.

Lessons from past energy efficiency scams and poor quality installation (leading to extreme detriment in some cases) will need to be taken account of in the design of SEEP. These continue to receive particular attention, with the recent creation of a new Scottish Parliament Cross-Party Group (for which the CFU is providing the Secretariat) on Consumer Protection for Home Energy Efficiency and Renewable Energy. Any new UK and Scottish frameworks must minimise scams, whilst monitoring and acting on any new issues.

What we have done so far

We published a report in 2016 that reviewed the design and reach of energy efficiency and fuel poverty schemes to date in Scotland, *Taking the Temperature*¹⁰. That research will inform this work. An element of this work has also been prompted by evidence from the Citizens Advice Scotland bureaux network concerning consumers who have experienced issues with energy efficiency, particularly scams.

The detriment found in these cases ranged from loss of Feed-in-Tariff income, to some consumers being unable to sell homes or access insurance due to lack of building warrants for poor installations.

What we will do

We want to build on *Taking the Temperature* and look beyond scheme design to focus on the consumer experience. This will include exploring our previous proposal for a one-stop shop for consumers, including mechanisms for redress, and identifying what additional activity needs to take place. This is likely to include working with the CAS community action team on scams awareness, understanding if, or how, previous consumer protection schemes have worked, and how to avoid some of the problems associated with the Green Deal.

What we want to achieve

The CFU wants to

- > Establish how energy efficiency schemes in Scotland can best serve the needs of Scottish consumers.
- > Influence the development and implementation of the SEEP framework, ensuring it is focused on Scottish consumers and addresses the specific issues relevant to Scotland.
- > Ensure that consumer confidence in schemes associated with SEEP is not undermined by scams or poor quality installation.

⁸ [Scottish Government \(2017\) Scottish House Condition Survey: 2016 Key Findings](#)

⁹ [Scottish Parliament Debate \(2017\) Green Deal \(Consumer Protection\)](#)

¹⁰ [CFU \(2016\) Taking the Temperature: A review of energy efficiency and fuel poverty schemes in Scotland](#)

Principles at play

Fairness: Individual consumers who take up energy efficiency measures ought to expect similar high levels of quality assurance and consumer protection regardless of the scheme.

Information: Consumers being asked to take up energy efficiency measures should be able to access clear information about quality, standards, redress and their rights.

Safety: Measures installed under SEEP should carry the highest possible standards of quality and safety.

Redress: A robust system of redress should be designed and implemented, to protect consumers in those unfortunate cases where measures go wrong.

Representation: Consumers need representation to ensure that standards are high, their rights are protected, and redress is available if things go wrong.



E2: Energy efficiency support in the private rented sector

The issue

The private rented sector is the fastest growing housing sector in Scotland. In 1999, only 5% of people lived in privately rented housing¹¹. That figure tripled to 15% in 2016 (about 370,000 households). Social rented housing declined 9% points over the same period¹².

Compared to socially rented properties, privately rented properties are generally less energy efficient. Only a third of privately rented households have an Energy Performance Certificate (EPC) rating of C or better, compared with roughly half of socially rented properties. 28% of privately rented properties have an EPC rating of E or worse compared to only 10% in socially rented properties and 22% of owner-occupied homes¹³.

Announcements on new minimum energy efficiency standards in the private rented sector are expected in 2018, alongside a plethora of regulatory changes for letting agents. These regulatory changes include the repairing standard, code of conduct, dispute resolution and rent increases. We anticipate that the former legislation will focus on the practicalities of enforcement and the longer-term policy objectives and targets.

This will be a key opportunity for the CFU to inform the implementation of new regulations, building on previous work¹⁴ that suggests a particular need for advice, information and support on energy (including energy efficiency) for private tenants.

What we have done so far

Over the last two years, we used findings from CFU research¹⁵ to inform our response to the Scottish Government's consultation on Scotland's Energy Efficiency Programme (SEEP). In particular, we proposed that for SEEP to succeed, it should be founded on public confidence and offer support, rewards and other incentives for owner-occupiers to upgrade their properties, as well as a one-stop shop approach that makes it easy for them to do so.

What we will do

We will analyse how the new SEEP regulations, which we support, will work in practice. Research is required to ensure that regulation works for both tenants and landlords, ensuring they understand their respective rights and responsibilities, and that there is no unnecessary duplication of existing advice and redress sources. If appropriate we will pursue a follow-up information campaign in 2019/20. We will ensure that our analysis takes account of the wider policy context of other regulatory changes in the private rented sector.

We'll look specifically at:

- > Provision of information and advice.
- > Access to forms of support, particularly for tenants.
- > Redress processes.
- > Enforcement of the regulations.

¹¹ [The Scottish Executive \(2000\) Scotland's people: Results from the 1999 Scottish Household Survey](#)

¹² [Scottish Government \(2017\) Scotland's People: Key Findings | 2016](#)

¹³ [Scottish Government \(2017\) Scottish House Condition Survey: 2016 Key findings](#)

¹⁴ [CFU \(2017\) Consumer Tracker Survey 2017, CAS \(2015\) Coming in from the Cold: Minimum Standards of Energy Efficiency in Private Sector Housing, CAS \(2016\) Hot Off the Grid: Delivering energy efficiency to rural, off-gas Scotland](#)

¹⁵ [CFU \(2017\) Warming Scotland up to Energy Efficiency: Putting Consumers First](#)

What we aim to achieve

The CFU wants to see these new regulations successfully implemented to improve living conditions for households without resulting in adverse impacts, such as raised rent. The regulations should also go some way towards reducing energy efficiency as a cause of fuel poverty in the private rented housing sector. For this research to be useful to policy makers the research timetable needs to be aligned with that of the legislation. At the time of writing we await further information on the legislative timetable.

Principles at Play

Access: Landlords and tenants may require signposting to any relevant funding opportunities.

Fairness: Tenants in privately rented properties need greater parity of rights with those in social housing.

Information: Both tenants and landlords will require timely information to ensure they are aware of their rights and responsibilities.

Redress: Tenants need the right, and ability to access redress mechanisms when things go wrong.

Representation: Opportunity to advocate for effective delivery on behalf of private rented sector tenants and landlords.





E3: Exploring how energy prices could be reduced in Scotland

The issue

Recent reports^{16,17} conclude that the current energy market is failing consumers despite regulatory interventions. In the last year we have seen significant price increases from all of the big six energy suppliers¹⁸. The lack of fuel affordability is one of the key drivers of fuel poverty in Scotland, which in 2016 stood at 26.5% of households.

While there has been an increase in competition in the energy market, with the share of the big six companies falling from 98% in 2013 to around 80% in 2017, consumers in Scotland are less likely to switch supplier than those in other parts of Great Britain. The impact of the remedies proposed by the CMA Energy Market Investigation are yet to be seen.

In its recently published Energy Strategy, the Scottish Government set out proposals for a publically owned, not-for-profit energy company that will support economic development, tackle fuel poverty and help to achieve Scotland's climate change targets, and an energy consumer action plan¹⁹.

¹⁶ [Dieter Helm \(2017\) Cost of Energy Review](#)

¹⁷ [The Competition and Markets Authority \(2016-2017\) Energy Market Investigation](#)

¹⁸ [CFU \(2017\) Retail Energy Price Increases Briefing Sheet](#)

¹⁹ [Scottish Government \(2017\) Scottish Energy Strategy: The future of energy in Scotland](#)

What we have done so far

The CFU has a unique understanding of energy consumer issues based on the cases we receive and advise on through the Consumer Helpline and Citizens Advice Bureaux. Additionally our colleagues at the Extra Help Unit provide specialist support to those with complex energy billing or debt issues. Our annual consumer tracker survey has measured what proportion of Scottish consumers find their energy costs unaffordable, and which groups of consumers are more or less likely to say this. We have called for energy suppliers to lower bills for consumers in Scotland, and welcomed the UK Government's announcement in 2017 to introduce a price cap on energy bills.

What we will do

We will:

- > Develop an overview of the type of market interventions that can reduce consumer bills (including where international examples may be appropriate to a Scottish context).
- > Provide evidence on the successes and limitations of existing interventions and the extent to which they have helped to lower fuel bills.
- > Seek to understand if and how these cost-reducing interventions could be applied to different consumer groups.

What we want to achieve

We want to ensure that consumers can access cheaper energy. With this research we will seek to inform the development of Scottish Government proposals in this area.

Principles at play

Access: Reviewing how consumers could access cheaper energy.

Choice: Increasing consumer choice of tariffs and suppliers.

Fairness: Seeking lower fuel costs.

Representation: Understanding the views of consumers who do, and could, benefit from energy market innovations.





E4: Pylons and wires: ensuring that electricity networks are a good deal for consumers

The issue

The energy market is undergoing major changes which will not only affect consumer fuel bills, but also the way we use electricity. Ofgem is undertaking significant work to review how the energy network is regulated, part of which is the development of the next price control framework, RIIO-2. A key priority for RIIO-2 will be 'to ensure that the cost of the network for an average domestic consumer is genuinely reflective of their willingness to pay for network service'²⁰ and Ofgem is keen that the consumer voice is represented in the development of the price control framework. Previous reports²¹ highlighted the vast profits that network companies have made under RIIO, at a cost of £7.5bn to consumers.

The next price control period for electricity distribution starts in 2023. Distribution Network Operators (DNOs) will have to submit draft business plans well in advance of this. This timeframe offers an opportunity for the CFU to influence stakeholders to ensure that consumer views are represented, and serve as an independent benchmark to DNOs' own consumer research. The CFU is the only consumer group in Scotland currently working in this area and as such it is vital that we seek evidence of consumer views.

There are also distinct network issues in Scotland, arising from its rural geography, population distribution, high levels of intermittent renewable generation and limited levels of thermal generation. Further, the Scottish Government's target of phasing out new petrol and diesel cars and vans in Scotland by 2032 is likely to lead to a significant increase in electricity demand from electric vehicles. All of these factors will have an impact on consumers' fuel costs.

What we have done so far

This project builds on our DNO research project in 2017-18, which looks at how energy network companies currently support consumers in Scotland.

What we will do

In the context of the particular challenges faced by Scottish elements of the GB networks, we will complement advocacy work planned by Citizens Advice (England & Wales) by undertaking research to understand:

- > What Scottish consumers value from future electricity network upgrades, in terms of their priorities for investment (e.g. Affordability²², resilience to power cuts, and sustainability to allow more renewable electricity to connect at distribution level).
- > Scottish consumers' perspectives on issues of fairness concerning who should pay for network upgrades.
- > To what extent Scottish consumers are willing to change behaviour in response to new flexibility such as demand-side response (DSR).

This project is likely to encounter similar issues to those in the water project, W4, on the consumer appetite for risk. The CFU will aim to share lessons and resources from both industries to inform our policy development and advocacy work.

²² Network charges are likely to change, documented by [Ofgem's ongoing Targeted Charging Review](#)

²⁰ [Ofgem \(2017\) Open letter on the RIIO-2 Framework](#)

²¹ For example, [Citizens Advice \(2017\) Energy Consumers' Missing Billions](#)

What we want to achieve

The evidence gathered from this piece of work would allow us to more effectively represent consumer views in Scotland in Ofgem's consultations on RIIO-2, specifically for electricity distribution, and Forward Work Programme. Ofgem's first key principle for the framework review is "giving consumers a stronger voice in setting outputs, shaping and assessing business plans". Our proposed research and accompanying advocacy will make a substantial contribution to that principle.

Principles at Play

Fairness: The project may explore consumers' views of whether the current network charging arrangements are fair.

Representation: This research will capture a range of consumer groups' views which we can use as evidence to contribute to wider industry consultations on network charging.





Consumers, broadband, mobile and post: communications consumer advocacy

Technology can create new markets and change old ones, as well as changing how consumers engage with those markets. When a change is significant it is necessary for government, regulators and consumer bodies to consider whether the interests of consumers are still appropriately represented.

At present, energy, post and water in particular are recognised as industries where any substantial service failure could result in serious consumer detriment. We use energy and water services every day, and a lack of access to reliable energy, or clean water, would bring Scotland to a halt. Fewer of us will use postal services every day, or rely on them in the same way, but for over a hundred years, postal services have been a crucial part of Scotland's communications infrastructure. That is why the CFU continues to look out for consumers in policy development, regulatory changes and businesses' practice. Historically, without the ability to send information via the post from one end of the country to the other, or even abroad, businesses would be unable to function, and communicating with distant friends and relatives would be extremely difficult.

More recently though, telecommunications (landlines, mobile connectivity and broadband) have disrupted and changed the way people use postal services. They have emerged as crucial in a new (and complementary) field – delivering goods ordered online – and have enabled more choice than ever before in what consumers purchase and where from.

Conversely, mobile and broadband services are inheriting much of the crucial communications and information infrastructure role. Our work and personal lives would be dramatically different without them, and the country would struggle with widespread mobile and broadband outages in the same way it would with power or water shortages.

Indeed, the UK Government intends to introduce a broadband universal service obligation, in recognition of broadband's increasing importance to people's everyday lives²³. This critical new digital infrastructure has emerged without the same level of consumer-focused scrutiny faced by the other three key regulated industries mentioned above.

Particularly in Scotland, where geography and population distribution have been used as excuses for poor, partial or non-service, there would be real value in an independent, evidence-based telecommunications advocate representing consumer interests in the public, political and private spheres. Areas in Scotland perpetually top lists of worst UK broadband speeds²⁴, and as shown by fines meted out by Ofcom in 2017²⁵, consumer detriment exists in the telecoms sector generally. Any new advocate should be independent from Ofcom, but complement the regulator's work by being a robust source of evidence and consumer insight, expanding the breadth and depth of data available to Ofcom. A consumer advocate would seek to influence policy makers, businesses and regulators to prevent future detriment, as well as support work to redress existing or past poor service.

It is time for a levy funded consumer advocacy communications function that covers telecommunications as well as post, recognising the significant and interconnected consumer issues in these industries. In this way the interests of Scottish consumers can be protected, and their needs and aspirations built into policy and practice in these industries.

²³ [Ofcom \(2016\) Designing the broadband universal service obligation – Final report to Government](#)

²⁴ [BBC \(2017\) Scottish areas worst for broadband speeds, says Which?](#)

²⁵ E.g. [Ofcom \(2017\) Plusnet fined £880,000 for billing former customers](#)

POST



KEY THEMES

- > Fairness and choice
- > Post Office sustainability

Introduction

The CFU's postal sector work has shifted in recent years to look more at the parcel related aspects of postal services, and consider postal operators other than Royal Mail, reflecting the way consumers increasingly access and use postal services²⁶.

As the Post Office's change programme, Network Transformation, nears its end (concluding in 2018), we have also shifted the focus of our Post Office work to factors affecting those more reliant on their local Post Offices. These consumers are likely to be disadvantaged in other ways – they may live rurally, be disabled or older, or have a lower income²⁷. While our legal remit covers investigations of any matter relating to the number and locations of Post Offices²⁸, we consider this focus to be a more efficient use of CFU resources, and in line with the UK and Scottish Governments' ambitions to help build a fairer society^{29,30}.

The work we are proposing for 2018-19 is primarily advocacy-based. That means we will share findings and recommendations from our previous research with businesses, governments, regulators and anyone else that can help improve outcomes for consumers. We hope to persuade stakeholders to take action where required and work with them to bring about positive change for consumers in relevant areas of policy, regulation and practice. In particular, we want to see progress on location-based delivery surcharging in Northern and North-East Scotland (Project P1), and work with Post Office Ltd on ways to maintain lifeline Outreach Post Office services that meet the needs of their communities (Project P2). Both these projects will be focused on advocacy to take forward recommendations from previous work.

We will explore complaints in the postal industry (Project P3). Royal Mail has a robust and transparent complaints process, but the industry as a whole is not a level playing field.

²⁶ [The Postal Services Act 2011](#) (section 27 (1)) defines "postal services". The structure of the levy for our postal sector advocacy work is a matter for Ofcom and government.

²⁷ [Citizens Advice \(2017\) Consumer use of Post Offices](#)

²⁸ [The Consumer, Estate Agents and Redress Act 2007](#)

²⁹ [UK Government \(accessed 2018\) We will create a fairer society: article by Theresa May](#)

³⁰ [Scottish Government \(2016\) Fairer Scotland Action Plan](#)



As well as reviewing existing evidence in house, the CFU plans to commission qualitative research examining what complaints processes other major postal operators have in place and how they compare to Consumer Protection Condition 3.2³¹.

Resources will be balanced between these three major projects (on surcharging, Outreach Post Office services, and postal complaints) and our more responsive work, engaging with the regulator, government, the private sector and other third sector organisations on issues as they arise.

The UK Government announced a new funding deal for the Post Office in late December, and at the same time published its statement on the Post Office network consultation carried out in late 2016. Analysing these UK Government decisions to understand their implications for the future of the network, and for the ability of (particularly vulnerable) consumers to access the key services it provides, is likely to be an area of work for the CFU continuing into 2018-19.

³¹Ofcom (accessed 2017) Schedule 3 Consumer Protection Condition 3: Complaints Handling and Redress.



P1: Reducing consumer detriment from location-based delivery surcharging

The issue

Location-based delivery surcharging affects up to 1 million consumers in Scotland, some 20% of Scotland's entire population. It means that consumers in some parts of the country are asked to pay far more for delivery of goods bought online than other parts of mainland Great Britain. While consumers can sometimes avoid these charges by shopping around³², this costs consumers time and is not straightforward for those less confident online. The charging structure is not transparent, nor simply a reflection of increased cost of delivery in some areas³³.

A related issue is the lack of transparency around delivery charges to certain addresses from online retailers themselves. We hope to see our partners achieve progress in this area in 2018-19 as well.

What we have done so far

The CFU has worked on this over several years, publishing reports and contributing to the Scottish Government's and UK Government's Statement of Principles³⁴.

Throughout 2017 we contributed evidence and insight on parcel surcharging to preparatory work carried out by the Competition and Markets Authority (CMA) on behalf of the UK-wide Consumer Protection Partnership (CPP). In December 2017, we published **The Postcode Penalty: Delivering Solutions**. This report has drawn substantial media attention to the issue, and was referenced numerous times in both UK and Scottish Parliamentary debates in December, including during Prime Minister's Questions and First Minister's Questions. The Scottish Affairs select committee of the UK Parliament has also taken an interest in the issue.

While not an end in itself, this attention underlines the strength of public interest and feeling in this area and will help support our engagement in 2018-19. We were pleased to see commitments from relevant ministers in the Scottish and UK Government to further explore the issue and what more can be done.

What we will do

Through engaging with industry and government, we will:

- > Secure a commitment from industry to reduce surcharging where practicable.
- > Obtain commitments from government and enterprise bodies to support pilot projects to test new innovations that may reduce the need for surcharging.
- > Clarify and expand the information available to consumers, including improving retailer vocabulary (e.g. ensure use of words like "mainland", "offshore", "rural" is accurate).
- > Explore the feasibility of "good delivery" recognition for parcel companies taking steps to reduce surcharging.

This work would be primarily carried out in house, meaning external research resources would be limited, but more staffing time would be required.

The engagement from other members of the Consumer Protection Partnership (CPP) in this area has been positive and constructive, and we look forward to continuing work with CPP colleagues in 2018-19 to achieve these aims, including those in the Consumer Council for Northern Ireland, and the CMA.

³² [CFU \(2017\) The Postcode Penalty: Delivery Solutions](#)

³³ [Ofcom \(2017\) 2016/17 Annual Monitoring Report](#)

³⁴ [UK Government, CAS, CCNI, Citizens Advice \(2014\) Statement of principles for parcel deliveries](#)

What we aim to achieve

Our long-term goals are to see:

- > Reduced costs for operators passed on to consumers.
- > Improved/increased reporting of non-compliance (the CMA is looking at this as well as exploring the retail side of this issue).
- > Higher levels of compliance with distance selling guidelines across the retail industry, including enforcement action where necessary.

Principles at Play

Access: Reducing delivery surcharges will increase access to goods for consumers.

Choice: Consumers often have limited say in which carrier will deliver their parcel.

Fairness: Consumers in areas affected by delivery surcharges feel that the current situation is unfair.

Information: Improving the information provided to consumers living in areas affected by delivery surcharges.



P2: Monitoring and maintaining Post Office Outreach services

The issue

Post Offices are important to most of us, but they are particularly important to disabled consumers, consumers on low incomes, older consumers and those in rural areas³⁵. For these consumers, a Post Office can be a lifeline, ensuring access to critical services like sending and receiving mail, banking and finance, and bill payments.

At a time when the Post Office network is being challenged to do more with less, Post Office Ltd (POL) have developed Outreach services. These services allow consumers to access vital services in areas without a traditional ‘bricks and mortar’ Post Office.

Increasing numbers of consumers are within reach of these Post Office Outreach services, with the number of outreach branches more than doubling since first introduced, to over 10% of the UK network today (over 100 of which are in Scotland). With another slew of bank branch closures recently announced³⁶, their importance is likely to increase.

What we have done so far

We will shortly be publishing the research that helped us identify the criteria that consumers value most in an Outreach service – this will form the basis of our evaluation framework.

Clear messages emerged from this research about the importance of good customer service from staff, reliability of services and practicalities such as opening times and privacy. We found that the range of products available or length of opening hours, for example, did not feature as highly amongst consumers – which indicates that consumers in rural areas do understand some of the challenges in delivering a full Post Office service, but also value the key lifeline a Post Office Outreach service can be.

What we will do

The aim of this work is for POL to adopt an evaluation framework which monitors service provision over time and identifies where postmasters may need support or adjustments to the current model. Based on our research findings, this framework will prioritise:

- > Staff knowledge
- > Customer service levels
- > Reliability
- > Community communication

Once this framework has been established, we will work to have it adopted by the relevant stakeholders. Part of this work is also likely to address low awareness of Outreach services. All this will enable consumers to influence the provision of key services in rural areas.

This work would be primarily carried out in house, meaning external research resources would be limited, but more staffing time would be required.

What we aim to achieve

Once the evaluation framework has been developed, we will be advocating for its adoption by POL in the first instance, with the option for the consumer advocacy bodies to carry out evaluation work in POL’s absence. We also hope to improve awareness of Outreach services.

³⁵[Citizens Advice \(2017\) Consumer Use of Post Offices](#)

³⁶[BBC \(2017\) RBS to close one in four branches and shed 680 jobs](#)

Principles at Play

Access: Outreach services are a lifeline to rural and remote communities so access to these services is vital.

Information: Consumers need information about the Outreach services available in their communities.

Representation: Our evaluation framework will be based around the needs of rural and remote consumers.



P3: Complaints: analysing and improving their handling, redress and information

The issue

Information around total complaints volumes in the postal industry is limited. Royal Mail complies with stringent regulations set by Ofcom, but only one complaints regulation³⁷ applies to other postal operators. As consumer advocates, the lack of complaints data makes it difficult for us to identify particular areas of consumer detriment in the postal industry.

For consumers themselves, the landscape is complicated. If you order something online, then the retailer should be responsible when something goes wrong, including for delivery issues. However, consumers can find themselves stuck between retailers, national postal operators and regional postal operators, with no party accepting responsibility.

Work from Citizens Advice in 2016³⁸ found that consumers who abandon complaints before the process has concluded are more likely to be vulnerable, suggesting that complaints processes generally can be more challenging for vulnerable consumers.

For a market to function effectively, consumers need to be able to make informed choices about the goods and services they purchase, and businesses need to have credible mechanisms for feedback to allow them to improve their offering.

What we have done so far

In our 2017 Consumer Tracker survey³⁹ we found that 16% of consumers in Scotland said they had experienced problems with the postal services in the past 12 months, and less than half of those had made a complaint, often as they did not think it was worthwhile to do so.

Of those that did complain, 41% of them said that they were not satisfied with the outcome of their complaint. This suggests that complaints procedures in the postal industry could be improved.

What we will do

This project will explore consumer perceptions, experiences and satisfaction of:

- > The processes involved with making complaints to parcel operators and Royal Mail.
- > How complaints are handled.
- > The barriers that prevent consumers from making complaints.

Regulation can be a crucial way of addressing consumer issues and we recognise that Ofcom stated their intention in March 2017⁴⁰ to maintain the current framework for postal regulation until 2022.

³⁷ [Ofcom's consumer protection condition 3.2](#)

³⁸ [Citizens Advice \(2016\) Understanding consumer experience of complaints handling](#)

³⁹ [CFU \(2017\) Consumer Tracker Survey 2017](#)

⁴⁰ [Ofcom \(2017\) Ofcom concludes review of Royal Mail regulation](#)

Considering the last review began in 2016, three years before the framework was due to expire, this would suggest Ofcom may begin its next review around 2019. Any conclusions from this work would therefore be well timed to feed into Ofcom consultations on the postal regulatory framework beyond 2022.

However, regulation is just one way of addressing consumer issues and the CFU sees opportunities in the shorter term for working collaboratively and constructively with postal operators directly to improve complaints data transparency and process.

CCNI and Citizens Advice (England and Wales) are planning to carry out complementary work focused on other elements of complaints in the postal industry in 2018-19. For example, Citizens Advice will explore how further insight can be gained through better interrogation of alternative sources of data, including complaints made through social media. We will combine our insights from this work, thus maximising efficiency and value for consumers across the UK.

What we aim to achieve

The aim of this work would be to:

- > Understand what procedures postal operators currently use to process complaints, and where they could be improved.
- > Increase the number of consumers who encounter issues having their issues registered as a complaint and dealt with satisfactorily.
- > Ultimately, work with operators directly to improve their processes where we have identified opportunities to do so.

Principles at Play

Information: Clear and accessible information about complaints procedures should be available to consumers.

Redress: Improving complaints procedures should help consumers to have their complaints resolved satisfactorily.



WATER



KEY THEMES

- > Affordability
- > Sustainability
- > Information and engagement
- > SMEs

It is a time of considerable change in the water industry in Scotland. The industry must continue to deliver services to consumers while addressing the challenges of climate change, sustainability, a projected population shift from the west of Scotland to the east, as well as an aging asset base. In addition, a backdrop of limited economic growth means it is likely that household incomes will continue to be squeezed.

In this context, the role of the CFU to challenge and support Scottish Water, the regulators and the government to put consumers at the heart of the water industry in Scotland, is more important than ever. Our proposed work for 2018-19 is focused on affordability and sustainability, as well as consumer engagement and information. We will also address emerging issues and carry out dedicated advocacy in particular areas to push for improved consumer outcomes.

The CFU will continue to work with stakeholders to develop the water industry's approach to the next capital investment delivery period 2021-27. We will use our evidence base to respond to the Scottish Government's draft Ministerial Objectives and draft Principles of Charging for the 2021-27 regulatory period.

The water industry's Customer Forum has now been established jointly by the CFU, the Water Industry Commission for Scotland (WICS) and Scottish Water, and tasked to put consumers at the heart of the company's business plan for the 2021-27 regulatory period. We look forward to supporting this work to drive further meaningful and long-lasting change in the water industry in the interests of Scotland's consumers.

Statutory duties will include playing an active role on the Scottish Government's Outputs Monitoring Group (OMG), (which reviews, at strategic level, the delivery of the current 2015 -21 investment programme in terms of Ministerial Objectives) and on the OMG Working Group. In addition, we will continue to support and work as an active member of the Scottish Government's Hydro Nation Forum.

Our four projects for 2018-19 all relate to one or more of our key themes.

Projects W1 and W2 are both advocacy projects, continuing our work on fair water and sewerage charges for all, and fair debt recovery. Project W1 aims to target effective support for consumer groups who may struggle to pay their water and sewerage charges in Scotland, while W2 focuses on



WATER

developing fair debt recovery practices, using the lessons learned from our work in recent years.

Those consumers responsible for, and connected to, private water supplies – and the information and criteria they use to make decisions to ensure safety and quality of supply – are the focus of Project W3.

Our network resilience project, W4, will seek to understand consumers' priorities for future investment in the water network. This will include examination of the extent to which consumers believe Scottish Water should invest to prevent adverse events that are low probability, but would have a high potential impact. This insight into consumers' appetite

for risk will help to inform the strategic review process, which seeks to balance the capital investment with customer charges.

Following research during 2017-18 into the emergence of alternative service provision models within the non-domestic market, such as third party intermediaries, we will continue to advocate for the protection of smaller non-domestic customers during further market developments. We will also deliver our sixth conference in a series of stakeholder events exploring customer issues within the non-domestic water market in Scotland.



W1: Fair and affordable water and sewerage charges for all

The issue

The CFU recently conducted research showing that water and sewerage affordability may remain a problem for low-income consumers and in particular for those on single benefits⁴¹. Further research is underway in 2017-18 to identify which households struggle to afford their water and sewerage and to identify policy options for targeted support of these households.

Preliminary findings show that an average of 16% of households across all Council Tax bands (excluding band H) are spending over 3% of their disposable income on water and sewerage charges. This indicates that there could be an affordability issue for working households in bands A-G. It is also a consideration that pensioner households who may live in higher banded houses, but have lower incomes, could find charges unaffordable.

The Long Term Charging Group (LTCG), chaired by the Scottish Government, of which the CFU is a member, recognises the need to further understand how affordable groups such as in-work poor and pensioners find their water and sewerage charges in order to create a full profile of households struggling to afford their water and sewerage charges. This research will be used to inform future support for households and charging policy.

What we have done so far

The CFU has previously published research reports on water charge related billing, debt and affordability.

⁴¹ [CFU \(2015\) Sink or Swim: Consumers' experiences of water and sewerage debt](#)

What we will do

The CFU will publish an insight report based on our most recent research, and promote its recommendations, including at the LTCG.

What we aim to achieve

The CFU wants to ensure:

- > Those consumers who find water and sewerage charges unaffordable are accurately identified.
- > The LTCG identifies policy options to support those with problems affording water and sewerage charges and effectively target support for particular consumer groups based on evidence.

Principles at Play

Fairness: Are there any consumer groups that struggle to pay for water and sewerage charges? What additional support is offered and how effective is this?

Representation: Working with water industry stakeholders to represent the views of consumers.



W2: Fair debt management

The Issue

Water and sewerage debt recovery practices can cause hardship and detriment to vulnerable consumers. The CFU produces research related to, and advocates for, vulnerable consumers, in part based on evidence from bureaux. We've been working to increase the evidence base in this area through increased recording of water and sewerage debt cases by bureaux. 20%⁴² of Scottish households are in debt, and being unaware of the liability to pay for water and sewerage charges, particularly if on 100% Council Tax reduction, can contribute to this⁴³.

What we have done so far

The CFU and previous organisations have conducted multiple studies into the detrimental impact debt can have on people⁴⁴. The CFU has worked extensively with Fife Council and Citizens Advice and Rights Fife (CARF) to develop debt recovery practices that protect vulnerable consumers. This partnership model is an example of best practise on preventing and supporting recovery from debt that we hope to promote.

What we will do

This work includes:

- > The promotion of a toolkit for bureaux supporting them to run projects on water debt.

⁴² Including those who have missed only single payments, and those who are on repayment plans.

⁴³ [CFU \(2015\) Sink or Swim: Consumers' experiences of water and sewerage debt](#)

⁴⁴ Consumer Futures (2014) Keeping your head above water – A study into household water debt in Scotland

- > Development of debt recovery guidance for local authorities for Water Direct, and working with local authorities to encourage take up of these.
- > Bureaux engagement through forums like the quality checkers forum and the Highland Debt Advisory Group.
- > Engagement with local authorities and promotion of debt prevention and recovery through the Institute of Revenues Rating and Valuation (IRRV) forum. Many local authority officers working in debt and collection departments attend IRRV events.
- > A targeted event to update on debt recovery good practice, including roll out of peer-to-peer policy transfer.

What we aim to achieve

Intended outcomes of this work include the roll out of a debt recovery toolkit across bureaux and increased use of fair debt management procedures by Scottish local authorities, including:

- > Raising awareness of the liability to pay for water and sewerage charges.
- > Improving the way debt is pursued to protect consumers.

We also hope to see a more accurate number of water and sewerage cases reported from the bureaux network through improved recording practices.

Principles at Play

Fairness: Do debt recovery mechanisms employed by local authorities adversely impact consumers who are struggling to pay? Are there adequate affordability checks in place before debt is actioned? Do debt recovery mechanisms help those in debt to recover?

Information: Raising awareness of liability to pay will prevent many falling into debt.



W3: Treatment system choice in private water supplies

The Issue

Consumers should have access to clean, safe drinking water. Approximately 182,000 individuals in Scotland (mostly in rural or remote rural areas) rely on private water supplies (PWS), many of which do not comply with minimum water quality standards⁴⁵. The users and managers of these supplies are responsible for treating and maintaining them, ensuring they meet the minimum quality standard. This includes installing and maintaining appropriate water treatment systems.

However, different raw water sources contain different properties and require different types of treatment to ensure water is safe to drink. In addition, technical knowledge amongst users can be limited, which creates a dependency on sourcing the right expertise and solutions, high expenses, or a water supply that still fails to meet the minimum quality standards.

Identifying and installing the correct treatment solution is important so that consumers have reliable access to clean drinking water and are not left with expensive treatment solutions unsuitable for their water supply.

What we have done so far

Research commissioned jointly by the CFU and the Drinking Water Quality Regulator (DWQR) during 2017-18 has provided information on the experiences of PWS communities, consumers' support needs and how PWS users and managers access information. Initial findings demonstrate that there is a gap in information and support provision that could impede individuals having appropriate treatment systems in place and therefore lacking access to wholesome drinking water.

In addition, Scottish Water is carrying out trials to identify affordable PWS treatment systems to establish which are best suited for different types of raw water.

The CFU is a member of the Scottish Government's Rural Provision Working Group (RPWG), and evidence will be used to support assessment of rural services provision in Scotland in terms of statutory compliance.

What we will do

The CFU, in partnership with DWQR, will investigate how Private Water Supply users select and operate treatment systems. This is likely to include:

- > Whether, and (if so) where, they look for information on different systems.
- > How they source relevant expertise.
- > The criteria they apply to make a purchase decision.
- > The nature of their maintenance regime.

What we aim to achieve

Evidence from research will

- > Inform CFU advocacy on supporting private water users to improve their access to high quality drinking water.
- > Support the Scottish Government, WICS, DWQR and Scottish Water to implement initiatives that effectively engage with private water users, and encourage uptake of appropriate solutions. This will include the factors affecting consumer choice that may not always be evident, such as geographical location, community size and distribution, available resources and technical knowledge.

⁴⁵ [DWQR \(2017\) Drinking Water Quality in Scotland 2016: Private Water Supplies](#)

Principles at Play

Access: Consumers should be able to access affordable treatment that meets their requirements. Consumers should have access to safe drinking water.

Choice: Consumers should be made fully aware of the range of solutions available, including their pros and cons.

Information: Information needs to be provided using channels that best engage with users of private water supplies. Information needs to be provided in such a way so as to support consumers in selecting affordable treatments that address their water quality issues.

Representation: Consumers should have a say in how solutions are designed and accessed.

Safety: Consumers should have access to a safe water supply.





W4: Resilience and consumers' appetite for risk

The Issue

Consumers pay for water infrastructure through their water bills, so it is important that Scottish Water's decisions about its assets take account of people's priorities. Furthermore, the industry needs to understand to what extent consumers think Scottish Water should invest to prevent low probability, but high impact, problems. This is particularly relevant as the strategic review of Scottish Water for the 2021-27 charging period takes place. This seeks to address infrastructure issues and demands on limited resources related to climate change, population shift, the security of supply, and ongoing maintenance and asset replacement.

What we have done so far

In 2016-17 the CFU first used deliberative research, in which consumers are taken through in-depth, complex policy issues and asked for their perspective. It is a useful way to gain consumer views on issues that are difficult to explore through more traditional surveys or focus groups.

What we will do

The CFU will conduct deliberative research to understand customers' perspectives on investment priorities and risk in relation to Scotland's water and sewerage networks. We will work closely with Scottish Water and the Customer Forum in taking forward this project. Research will be used to:

- > Dig deeper into consumer preferences and priorities.
- > Complement behavioural insights work on resilience and price trajectories that will be carried out during 2018-19.
- > Strengthen the evidence base for making strategic decisions.

This project is likely to encounter similar issues to those in the energy project, E4, on consumer views of energy networks. The CFU will aim to share learning and resources from both industries to inform our policy development and advocacy work.

What we aim to achieve

CFU research will provide an understanding of consumers' perspectives on capital investment and risk, which will:

- > Inform the policy setting process for the Ministerial Objectives for Scottish Water and the associated Principles of Charging, which are due to be consulted on in April 2018⁴⁶.
- > Support Scottish Water, in consultation with the Customer Forum, to make more informed decisions in terms of planning for longer-term asset investment and how this could be funded across generations of service users.

Principles at Play

Access: Investment to guarantee future access to essential water and wastewater services; the research should inform where risk requires to be minimised.

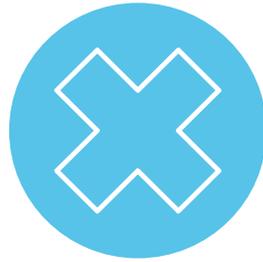
Fairness: The cost of delivering more resilient infrastructure is fairly distributed across current and future paying customers.

Representation: Future investment planning informed by consumer evidence.



⁴⁶ [WICS \(2017\) Methodology for the Strategic review of Charges 2021-2027](#)

CROSS-SECTOR



KEY THEMES

- > Simpler registration of consumers in vulnerable situations
- > Annual consumer tracker survey
- > Consumer principles toolkit

Introduction

The CFU's cross-sector work allows us to pool resources targeted at tackling issues common across the different regulated industries we work in. In the regulated sectors generally, consumer engagement levels in Scotland are low, and we face specific issues due in part to our geography and social make-up⁴⁷.

Throughout 2018-19, we will remain responsive to any new developments that may impact on Scottish consumers, including how they may be affected by the UK's plan to leave the European Union. The CFU expects to see commonalities across the regulated industries in Scotland continue to include issues related to rurality, and we will engage with key stakeholders as required in this area too.

The CFU will balance this responsive work with three specific cross-sector projects.

These projects will be funded relative to their relevance in each sector, and all three projects build on previous work, taking them to the next stage of implementation.

Project CS1 continues from work in 2017-18 on making registering for additional support easier for consumers in vulnerable situations.

Project CS2 will be the third annual CFU Consumer Tracker Survey, which we use to identify and monitor consumer trends in Scotland over time.

And finally, Project CS3, our consumer principles project, will develop a toolkit that we hope will help organisations to become more consumer-centric. This takes forward a recommendation from work carried out in 16-17.

⁴⁷ [Scottish Government \(2016\) Ensuring that markets work well for businesses and consumers – a strategic assessment of markets in Scotland](#)



CS1: Simpler registration for consumers in vulnerable situations - continued from 2017-18

The issue

The CFU has a statutory duty to “have regard to the interests” of consumers who are disabled or chronically sick, of pensionable age, on low incomes, or who reside in rural areas⁴⁸. These groups of consumers are sometimes referred to as consumers in vulnerable situations. The word “vulnerable” is also used by the Extra Help Unit, and energy and water suppliers in relation to consumers who could be deemed vulnerable as a result of other circumstances, including but not limited to:

- > The urgency of their situation (e.g. facing immediate debt collection action or unmanageable payments).
- > The consumer being unable to handle problems themselves due to personal circumstance.
- > Facing a problem of such complexity it is difficult for the consumer to deal directly with their supplier and/or the problem requires expert help to be resolved⁴⁹.

The reality is that many of us can be vulnerable at different stages in our lives, for many reasons. Energy and water suppliers in Scotland maintain registers of consumers who may require additional forms of support, as a result of being in a vulnerable situation.

However, consumers themselves have to apply to be on these registers. There are multiple registers for consumers to be aware of, all with different processes. This is complex for any consumer to manage, but particularly so for consumers in vulnerable situations. The numbers currently registered are thought to be lower than those potentially eligible for support, meaning some consumers are likely to be missing out support that could benefit them.

⁴⁸ [Consumers, Estate Agents and Redress Act \(2007\)](#)

⁴⁹ [CAS \(2016\) Extra Help Unit information pack for suppliers](#)

What we have done so far

We began this work in 2017-18, understanding that the complexity of the issue meant it would spread over more than one year. We engaged closely with key players in the sector, including the UK Regulators Network, energy network companies, Scottish Water and the Scottish Government, drawing upon their knowledge and experience. This programme of research explores:

- > The experiences and perspectives of consumers in vulnerable situations, looking at a number of different areas, including vulnerability, registration with service providers, and consequent delivery of extra support.
- > Practical issues and solutions relating to vulnerability registration processes in Scotland.

What we will do

In 2018-19 we will continue with this work to:

- > Conclude research on the perspectives and experiences of consumers in vulnerable situations on registration processes, and related practical issues and possible solutions.
- > Publish an insight report and recommendations.
- > Engage with stakeholders to take forward our recommendations, potentially working with the Scottish Government’s Ministerial Taskforce on Consumers and Markets.



We intend for this work to:

- > Lead to a more integrated process of registration for consumers in vulnerable situations, making it easier for them to do so, and more effective.
- > Ensure that service providers have a comprehensive means of identifying consumers in vulnerable situations, in order to provide them with appropriate services and support.
- > Result in more consumers accessing the support that they are entitled to.

Principles at Play

Access: The aim is to ensure that such consumers have access to all the service benefits to which they are entitled.

Fairness: The project seeks to minimise the additional barriers which consumers face by their vulnerabilities, and that eligible unregistered consumers are not disadvantaged compared with those registered.

Information: Vulnerable consumers will only benefit from registration and the associated support services if they have full and accessible information on these.

Representation: The voice of consumers in vulnerable situations needs to be represented in policy and in the design and implementation of services and solutions.



ACCESS



FAIRNESS



INFORMATION



REPRESENTATION

CS2: Annual consumer tracker survey

A programme of repeated annual surveys can provide a unique route through which the Scottish consumer voice can be heard in regulated industries, identifying both changes over time and diverse issues across different Scottish communities. In particular, a representative sample that is exclusively Scottish can provide more reliable detail and statistically significant analysis on differences across and within Scotland, in a way that a Scottish subgroup of a UK-wide sample cannot.

What we have done

In 2016-17 we commissioned the first of what is intended to be an annual survey of energy, post and water consumers' experience and attitudes in Scotland. This pilot survey gave us useful insights in itself. We discovered that only half of Scottish consumers complained when they had an issue with postal services, for example, and that people who rent their homes are a lot more likely to think they do not have any choice in their energy supplier, compared to homeowners⁵⁰.

Importantly, this also formed the basis of what will become a longitudinal data set, giving the CFU an increasingly useful source of insight with each iteration.

Our second consumer tracker, covering 2017-18, has been commissioned and will be published in early 2018-19.

What we will do

We will use the results of the first two tracker surveys to identify changes in the consumer experience over time, and to inform our ongoing policy and advocacy work. Our third tracker survey will be carried out in quarter four of 2018-19.

Questions may be amended, removed or added as appropriate to capture areas particularly relevant to different work in different years, but this will be balanced with achieving our ambition to capture change over time.

What we aim to achieve

This annual survey aims to ensure that we track trends in the consumer experience in Scotland, meaning our advocacy work in the regulated industries is based on robust evidence, and our work's impact on consumers can be measured over time.

This impact is in addition to the policy impacts we also strive for, which are often preventative in nature, and much harder to qualitatively measure.

Principles at Play

The CFU's annual consumer tracker survey can track and help tackle issues related to all seven consumer principles, although its most immediate impact is to **represent** the attitudes and experiences of consumers in Scotland.

The Issue



⁵⁰ [CFU \(2017\) Consumer Tracker Survey 2017](#)

CS3: Consumer principles toolkit

The CFU, and others⁵¹, already use a set of seven consumer principles - access, choice, fairness, information, redress, representation and safety - to inform their work. Not only are these principles tried and tested, they are also well-established and recognised internationally by consumer groups and organisations. The CFU uses the principles day-to-day for assessing consumer focus and as a framework within which policy is developed and communicated. However, use of the principles is limited in industry and government. The CFU considers that better outcomes for consumers will result from consumer-focused principles being more widely understood and adopted by regulators and service providers.

Considering the trend towards principles-based approaches to regulation, policy and practice, the CFU commissioned research in 2016-17 to look at the prevalence of consumer-focused frameworks across the regulated industries of energy, post and water. We found that there is a move away from rules-based regulation to more consumer-focused approaches. Ofgem, among others, is moving to a principles-based approach to regulation, considering that “it can deliver better outcomes for consumers”⁵².

We’ll publish a report in early 2018 on its findings, but a key recommendation is that:

“The CFU should explore the feasibility of commissioning follow-up research that can identify and test questions that could be the basis of a toolkit for organisations so they can assess how consumer-centric they are and how far along the journey towards adopting a set of fully-fledged consumer principles they are.”

What we have done so far

⁵¹ [The Legal Services Consumer Panel](#) and [Scottish Legal Complaints Commission](#), for example.

⁵² [Ofgem \(accessed 2017\) Future of retail market regulation](#)

As well as using consumer principles in our own work, the research conducted in 2016-17 allowed us to make contact with key organisations in our sectors and introduce them to the benefits of using consumer principles to develop and evaluate a consumer-centric approach.

What we will do

We will enhance the value of our previous research by:

- > Piloting a tool in partnership with a supplier, that will inform the development of an accessible toolkit that regulators and service providers can use to assess how consumer-centric their policies and practice are.
- > Promoting the toolkit to our key stakeholders and industry representatives, and make it available to organisations outwith our key sectors.

What we aim to achieve

Consumer principles help move organisations from thinking about consumers to thinking like consumers. If an organisation can succeed in doing that, the design and delivery of products and services will better meet consumer needs and aspirations.

It remains a challenge for organisations to do that however, particularly in the context of established rules, systems and culture. By making it easier for organisations to assess their current policies and practices against consumer principles, they will be better able to maximise positive consumer outcomes.

Principles at Play

The Consumer Principles framework and a subsequent checklist would allow organisations to apply **all** of the principles across their services and outputs.

We continue to enhance our focus on

Appendix: CFU Provisional Budget 2018-19

advocacy activity, and to increase the impact of the research that we carry out. This can be seen in the balance of our proposed expenditure between programme spend, and staffing and related costs, as typically advocacy is carried out in-house, and research is contracted out.

The provisional budget required to deliver the activity detailed in this work plan is below. It may, of course, need to change during the course of the year should it prove necessary to respond to external developments.

The CFU's funding comes from levies on the three industries we cover, though there are four budgets. The cross sector budget line derives primarily from the energy and post sectors.

CFU Provisional Budget 2018-19

Sector	Programme	Staffing and related costs	TOTAL
Cross Sector	28,406	96,194	124,600
Energy	128,428	215,572	344,000
Post	54,320	116,680	171,000
Water	92,219	232,781	325,000
Total	303,373	661,227	964,600

Like every other organisation, we are subject to inflationary pressures, but always seek to use our funding efficiently and effectively. We assess the work required in each area and develop our programme accordingly, meaning that the individual sector budgets can go up or down each year.

In 2018-19 we propose a 1.6% increase in cash terms (equivalent to a 1.4%⁵³ cut in real terms) in overall CFU spending. In cross sector we plan a cash terms flat rate budget (a 3% real terms cut). In energy we propose a 2.7% increase in cash terms (a 0.3% cut in real terms). Following from a 25% cash terms cut in post in 2017-18, in 2018-19 we plan a flat rate budget in cash terms (a 3% cut in real terms). In water, spending will increase by up to 4.8% in cash terms (1.8% in real terms), reflecting project requirements this year that are linked to the Strategic Review of Scottish Water.

⁵³ The Office for National Statistics recorded the CPI 12 month rate as 3% in October 2017 and 3.1% in November 2017. For the purposes of calculations 3% has been used here. <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/latest>



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