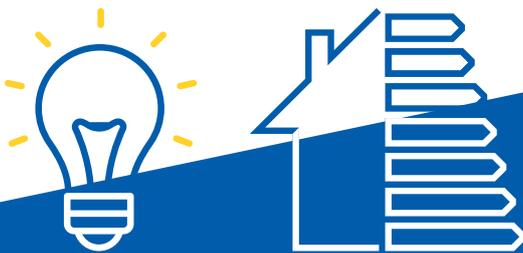


Energy Advocacy

2020/21



Context

2020/21 will see the passage of the Consumer Scotland Bill through the Scottish Parliament and it represents a transitional year for Citizens Advice Scotland's delivery of advocacy on energy. For this reason, Citizens Advice Scotland's advocacy work on energy is being delivered through two streams in 2020/21:

The levy funded stream as outlined in this workplan which sees CAS provide a voice to all Scottish energy consumers.

A separate stream of activity which sees CAS represent the experiences of CAB and EHU clients navigating the energy market: this covers issues such as billing and metering, fuel poverty and energy efficiency.

At present our expectation is that the levy funded activities on energy will transition to the new body, once enacted. To aid this transition, the workplans on the regulated industries, including energy, are being presented individually, rather than being included in a broader organisational work plan.

Energy Advocacy 2020/21

In 2020/21 CAS will work on a number of new and ongoing issues related to energy in Scotland. This year we will primarily focus on ensuring consumers are represented as energy networks develop in Scotland, improving outcomes for customers with restricted electricity meters and ensuring Small and Medium Enterprises (SMEs) face improved outcomes in relation to energy.

As a key workstream we will continue to advocate for consumers in the energy networks policy area. This is particularly important as significant changes are forthcoming as the networks facilitate the transition to Net Zero emissions by 2045. In 2020-21 we will work with the regulator, network companies and Government to ensure that the networks are developed at the most affordable cost to consumers, while ensuring reliability is a top priority for all Scottish households. We also want to work with network companies to ensure that consumers and communities are at the heart of the decision-making process as the networks develop to be smarter and more flexible. Given the changes proposed, we will also advocate for customers in vulnerable situations to ensure that they are given the appropriate support and protection.

Despite more support recently being made available to electric heat users in Scotland, CAS remains concerned that the CMA remedy for restricted meters has not significantly improved outcomes for these consumers. We believe they still face significant challenges and fuel poverty rates remain stubbornly high. We will work to understand the scale of the issue in Scotland and to make recommendations to quickly improve outcomes for these consumers.

In 2020-21 we will also develop a stream of work to better understand the state of the market for SMEs in relation to energy in Scotland. We want to review how SMEs currently perceive themselves in the energy market and to understand what advice and support may be required as policy changes such as the decarbonisation of heat are developed.



Representing consumers in the development of the Energy Networks in Scotland

In Scotland, 83% of properties are connected to the mains gas grid and almost all properties are connected to the electricity grid. Consumers pay for the maintenance and upgrade of the energy networks through their energy bills with the network contribution equating to a quarter of the bill on average.

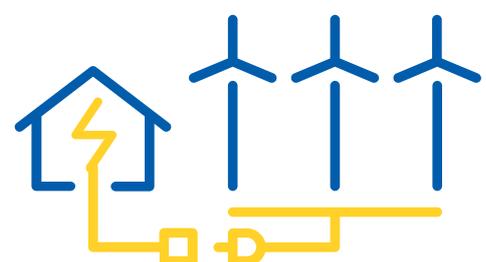
The companies who operate and own these energy networks are monopolies and they and their prices are regulated by Ofgem under a framework known as RIIO. Ofgem is in the process of designing the next price control period for electricity distribution networks – which is the biggest contribution towards the network component of the consumer bill. As consumers are often unaware of network companies, and the financial contribution they make towards them, we want to ensure that consumers have a voice in an often technical and complex area.

The way the energy networks are designed and used is also changing. The energy system in Scotland is already becoming lower carbon, smarter and more flexible and will continue to do so with more renewable generation and the roll out of electric vehicles. This has implications for both how much the energy networks cost consumers and how business and domestic households interact with them.

In 2020-21 CAS will undertake advocacy work to ensure consumers are represented.

- > We will work with regulators, network companies and the Government to ensure energy networks facilitate decarbonisation at the lowest cost to consumers – while maintaining or improving current reliability levels
- > We will work with network companies to ensure consumers and communities are engaged in the right way in relation to domestic flexibility and network upgrades
- > We will work with other consumer groups and the energy regulator to ensure that RIIO ED2 brings better outcomes for consumers (especially those in vulnerable situations)

Our proposal for this project includes continued advocacy work, with influencing focused on Ofgem, energy network companies and the UK Government. We do not foresee commissioning any additional research in this area and will utilise results from research undertaken in previous years. We will also continue to work closely with Citizens Advice (England and Wales) to advocate for consumers in this area.



Improving outcomes for consumers with ‘Restricted Electricity Meters’

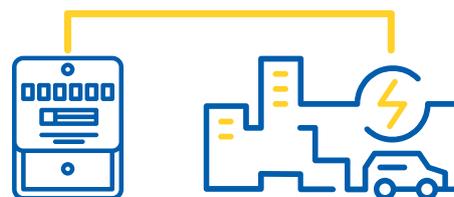
43% of Scottish households with electric heat are in fuel poverty and previous CAS research and evidence has shown that consumers with restricted meters¹ can face significant challenges in the energy market, such as high unit prices. These problems are compounded by issues including:

- > Real and perceived barriers to switching tariff and supplier. There are a limited number of tariffs available to use with these meters, the tariffs being promoted are not always appropriate, the market is complex and can be confusing.
- > Consumers often face difficulties accessing clear or consistent information on the details of tariffs, such as off-peak periods.
- > Those using restricted meters are likely to benefit later from the Smart Meter roll out than other groups, as they will often require the second generation of meters to work with their heating systems.
- > There is often a lack of knowledge among customer

The restricted meter remedy implemented by Ofgem, based on a Competition and Markets Authority (CMA) recommendation, was designed to improve outcomes for these consumers by giving them access to competitive tariffs in the market. However, CAS remains concerned that issues remain around consumer awareness of the remedy, its effectiveness and supplier compliance. While the smart meter roll-out may make it easier for those with restricted meters to switch to a cheaper tariff, we also remain concerned that this solution may not be implemented for a number of years.

In 2020-21 we propose to undertake research to understand the nature and scale of the problem in Scotland. We will also work with Home Energy Scotland, who have developed an electric heat support team, and CAB advisors to better understand any ongoing issues. We also want to work with industry to understand any practical or misunderstood barriers to implementing the remedy.

Through this work we want to ensure that households off the gas grid who rely on electric heating pay a fair price for electricity and that fuel poverty rates amongst these households decreases.



¹ Most households that rely on electric heating in Scotland use restricted meters, designed to be used with corresponding time-of-use tariffs and storage heating. These include a range of dynamically teleswitched (DTS) systems, Economy 10 and Economy 7 meters. A significant proportion of these households are likely to be using DTS meters.

Small and Medium Enterprises (SMEs) in the energy market in Scotland

SMEs often face similar issues to individual consumers in relation to energy. However as the energy landscape transitions to meet climate targets and the retail energy market evolves there may be a number of changes that will disproportionately affect SMEs. Examples might include the reform to energy charging structures, reform of the retail energy market and the decarbonisation of heat.

In 2020-21 CAS will undertake research to both understand current levels of detriment in the non-domestic energy market and to assess the impacts of future policy on SMEs. We will review how SMEs perceive themselves as consumers and look for examples that characterise ‘SME consumer behaviour’ in the energy market. We will also look to understand what outcomes SMEs seek generically and assess if these align with or differ from the outcomes sought by individuals as ‘consumers’ in the domestic energy market.

This work will also explore how SMEs can be supported through changes associated with the Scottish Government’s commitment to meet Net Zero targets, with a particular focus on the decarbonisation of heat.

This work will be used to make sure that SMEs are informed about changes they may need to make, are able to access support and advice and have the appropriate protections. This will ensure that SMEs can thrive in Scotland and can continue to deliver the positive contribution to society.





Big Energy Saving Week 2020

CAS implemented a new model for delivering the BESW2020 campaign in Scotland, which saw CAB across Scotland co-design the campaign with a groups of consumers experiencing a specific issue relating to the retail energy market:

- > In fuel debt
- > Home is hard to heat
- > Digitally excluded
- > Electric only heating

The objective of this exercise is to increase the action consumers take during the campaign period to save energy, or allow them to switch supplier.

BESW2020 is live at the time of writing, and so evaluation has not commenced, however following a review of the success of the campaign we anticipate building upon this approach in BESW 21 to increase the impact of the campaign and drive greater consumer action.

Funding

Activity	Expenditure
Research and resource costs associated with Energy projects	£226,000
Big Energy Saving Week 2021	£60,000
Total cost	£286,000

The Scottish Association of Citizens Advice Bureaux - Citizens Advice Scotland. Scottish charity (SC016637) and company limited by guarantee (89892)