



**Consumer  
Focus**  
Campaigning for a fair deal

# **Making the connection: Strengthening the advice, complaint handling and redress framework**

**Report produced by: Centre for Consumers and  
Essential Services, University of Leicester**

# About Consumer Focus

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Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland.

We operate across the whole of the economy, persuading businesses, public services and policy makers to put consumers at the heart of what they do.

Consumer Focus tackles the issues that matter to consumers, and aims to give people a stronger voice. We don't just draw attention to problems – we work with consumers and with a range of organisations to champion creative solutions that make a difference to consumers' lives.

## Acronyms in this report

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| BIOS | British and Irish Ombudsman Association     |
| CCA  | Consumer Credit Act                         |
| CCAS | Consumer Codes Approval Scheme              |
| CCES | Centre for Consumers and Essential Services |
| CMA  | Competition and Markets Authority           |
| DECC | Department of Energy and Climate Change     |
| EAP  | Energy Assistance Package                   |
| ECO  | Energy Company Obligation                   |
| EHU  | Extra Help Unit                             |
| EO   | Energy Ombudsman                            |
| EPC  | Energy Performance Certificate              |
| ERA  | Energy Retail Association                   |
| EST  | Energy Savings Trust                        |
| FiTs | Feed-in tariffs                             |
| FOS  | Financial Ombudsman Service                 |
| IHDs | In-home displays                            |
| OFT  | Office of Fair Trading                      |
| PPMs | Prepayment meters                           |
| RHI  | Renewable Heat Incentive                    |
| TOU  | Time of use (tariff)                        |
| UKAS | United Kingdom Accreditation Service        |
| WHD  | Warm Home Discount                          |

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# Executive summary

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## The context

The energy sector is going through a period of substantial change with important ramifications for consumers. The energy market has become increasingly complex, and it is set to become even more challenging for consumers as new policies emerge to challenge the status quo and open up a broader energy services market. Moreover, these changes are happening at a time of rising energy prices and increasing prevalence of fuel poverty. This concurrence of events reinforces the need for effective and robust arrangements for the provision of consumer advice, complaint handling and redress systems that span across all energy-related issues.

## The aim

This report looks at the Government's plans for the energy supply, distribution and services markets. It examines the plans for advice provision on energy issues and for future complaint handling and redress frameworks, and makes recommendations to ensure these meet consumers' needs.

## Background: advice, complaint-handling and redress

### Impartial advice

In such an essential service, which is already complex and can be very confusing, consumers need to know who to turn to for trustworthy advice, including what to do if things go wrong and they want to pursue a complaint<sup>1</sup>.

Advice on energy issues is currently available through a range of channels, with Energy Saving Trust (EST) dominating the energy efficiency advice sector and advice on energy supply through a range of not-for-profit providers in the public and third sector. In an evolving market consistency and accuracy is vital and is supported by Consumer Focus's provision of free support for energy advisers.

Consumer advice on energy tariffs is also available in the form of independent switching sites that allow consumers to compare suppliers' tariff offerings either online or via their telephone service<sup>1</sup>. While these are commercial organisations, their impartiality is enforced through the Confidence Code scheme run by Consumer Focus, which both sets standards and undertakes continual monitoring of sites to ensure those standards are maintained.

### Complaint handling and redress

Consumers need problems to be resolved speedily and fairly, especially for an essential service such as energy. Consequently, there should be recourse to accessible and effective complaint handling and redress processes. It is also vital that complaints data are properly recorded and reported to help identify failures and drive improvements. As well as internal organisational processes for initial consumer complaints, an effective framework should include an external route to redress, which is independent of the companies.

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<sup>1</sup> Nine of the 13 Confidence Code accredited sites offer a telephone service for consumers without internet access.

From the consumer standpoint, there is already a great deal of unevenness in existing redress arrangements in this sector, including gaps in the right to approach the Energy Ombudsman (EO) with unresolved complaints. Action is needed to eliminate existing gaps in redress and to avoid creating new ones.

In particular, the right to approach the EO with unresolved complaints currently applies only to matters relating to energy supply and distribution issues, not products and services.

It is also vital that the changes taking place do not involve consumers having to deal with a number of different bodies and needing to negotiate layer upon layer of processes to get complaints resolved. Consumer Focus runs an Extra Help Unit (EHU) for vulnerable consumers who are not able to navigate existing redress mechanisms, and in particular supports those who are at risk of disconnection.

The report outlines a number of areas where there appear to be risks of gaps and inconsistencies in future complaint handling and redress arrangements, such as redress for complaints about Green Deal assessors, and complaint handling on some aspects of smart metering such as IHDs.

### **Consumer advice: current and future requirements**

The report identifies principal consumer concerns and requirements in relation to a range of energy issues:

#### **Tariffs and help with energy bills**

Ofgem's Retail Market Review provided clear evidence that consumers are confused about energy tariffs. The regulator is exploring proposals to simplify tariff structures, which could improve the switching process. Even if there are major improvements to the current system, consumers will need access to advice and information about how to get the best energy deal for their circumstances, particularly if there is continued growth in bundled offers.

As is the case at present, consumers will also need independent and trustworthy advice about what social tariffs and discounts are available to help cope with energy bills, which one suits their needs, whether they are eligible, and how to apply. Consumers will need to know how the mandatory Warm Home Discount may affect them and what other schemes are still available.

#### **Energy efficiency, Green Deal and microgeneration**

In parallel, consumers need access to reliable advice about energy efficiency services. The Green Deal will represent new and unfamiliar terrain for consumers, who will need independent advice on a host of new and potentially complex issues. There will be a range of consumer risks such as the potential for misselling and pressurised selling; being refused access to support from the new Energy Company Obligation; inaccurate or misleading in-home advice; and faulty installation. Further, Green Deal repayments will be collected through energy bills, with the risk of disconnection if consumers default on these charges. More broadly, consumers will need advice about other energy efficiency schemes, including those operating in different parts of Britain.

Microgeneration is growing in importance and, once again, it is a new and unfamiliar area for most consumers. Making the right decision is likely to be complicated. Moreover, these products and services are becoming widely promoted and there are instances of misselling, particularly to vulnerable consumers. Consumers need reliable and independent advice about this increasingly important part of the energy sector, including interconnections with the Green Deal and smart metering.

## Smart metering

The planned roll-out of smart metering also brings a set of new issues for consumers. New tariffs are likely to be brought in, potentially making decisions about switching tariffs even more complicated. There will be the potential for remote disconnection and remote switching to prepayment meters (PPMs) – clearly of great importance for many consumers in vulnerable circumstances. And consumers may need independent advice about other matters such as where meters are sited, usability of in-home displays (IHDs), what to do if faults arise, and privacy protection and data sharing.

## Proposals and recommendations

### Consumer advice

The Government is proposing a number of changes in consumer advice and advocacy arrangements. The functions of some existing organisations such as the Consumer Focus EHU and Consumer Direct are due to transfer to Citizens Advice / Citizens Advice Scotland (collectively referred to as the Citizens Advice service in this report) if these plans proceed. The EST provides advice on energy efficiency and new government schemes such as Feed in Tariffs or the Renewable Heat Incentive. The EST is due to lose its central government funding in 2012 and has announced plans to become a charity.

In the light of changes taking place, there is a compelling need to ensure that consumers have access to independent, comprehensive and trustworthy advice on energy issues, particularly people in vulnerable circumstances. This report sets out the principal consumer concerns and requirements that future advice provision should encompass.

The recommendation is that the advice service for energy consumers should be:

- **Comprehensive:** covering the energy supply, electricity and gas distribution and energy services (energy efficiency, microgeneration and metering) markets
- **Integrated:** capable of addressing all aspects of consumer queries rather than forcing people to contact a series of different organisations
- **Trusted and with the necessary level of expertise:** independent of industry and employing staff with the training and skills to deal with increasingly complex consumer queries
- **Accessible to all:** capable of meeting the needs of vulnerable consumers

Assuming that the Government proposals are implemented, it would be logical for the Citizens Advice Service to have the role of providing a dedicated and comprehensive source of advice for consumers at national and local levels on energy supply and distribution as well as energy efficiency and services issues in future. In order for the breadth of consumers' advice needs in energy to be met, the Citizens Advice Service (or any other organisation tasked with this role) should have the necessary resources and expertise. Further, the provider should provide free-to-use energy advice for other advice providers across the public and not-for-profit sectors to ensure free, accurate and consistent advice is available whoever the consumer turns to.

### The complaint handling and redress framework

The need for a comprehensive and streamlined complaint handling and redress framework is becoming increasingly important, especially as complaints may well include a range of energy issues and involve different organisations. It will be essential to ensure that future complaint handling and redress systems are clear, streamlined, robust and able to deal with the breadth of energy-related consumer issues.

The report sets out essential ingredients for future complaint handling and redress in this sector. The redress framework for energy consumers should be:

- **Clear:** energy bills will need to tell consumers who to turn to if things go wrong, this will be much clearer if there is a one stop complaints-handling service for all the different services that will appear on, or are relevant to, the bill
- **Comprehensive and simplified:** the artificial divisions in redress arrangements need to be tackled, with consumers of energy services and products able to access the EO
- **Meeting the needs of vulnerable consumers:** the remit of the EHU should be expanded to deal with the spectrum of possible consumer problems
- **Streamlined and simple:** consumers should not be forced to contact a series of different organisations to get their complaints resolved
- **An integrated system:** with clear protocols and systems for consumer referrals, set timescales for handling complaints and for identifying and dealing with emerging systemic issues
- **Accessible and affordable:** access to complaint-handling and redress must be free of charge for consumers
- **Providing quality assurance:** all bodies involved must adhere to commonly accepted principles of good complaint handling

In addition, specific recommendations for complaint handling are made for emerging services:

### Green Deal

- Redress arrangements for all aspects of the Green Deal must be streamlined, co-ordinated and clear to consumers and advisers
- Energy suppliers should have responsibility for acting as the first tier for consumer complaints about billing and supply aspects of the Green Deal
- Green Deal providers should be the first point of contact for complaints about all other matters. Providers must be subject to clear obligations regarding their role in complaint handling, including liaison with independent advice providers, subcontractors, energy suppliers, timescales for responding to consumers, and signposting consumers for support with unresolved complaints including redress. They should also have direct responsibility for dealing with complaints about non-billing matters
- There must be clear and robust protocols between energy suppliers and Green Deal providers to cover referrals and handling of complaints that involve billing and/or non-billing aspects of the Green Deal
- Having contacted their supplier and/or Green Deal provider with a complaint, consumers should have the right to take unresolved complaints direct to the EO. The remit of the EO should also include unresolved consumer complaints relating to microgeneration matters
- The EO and Financial Ombudsman Service (FOS) will need to develop clear protocols for co-ordination regarding complaints that go across their remits, including sharing of information and regular reviews for ensuring there is effective co-ordination
- The Green Deal Oversight Body and the EO should monitor the processes and protocols employed to handle complaints which involve both suppliers and providers, and consideration given to whether specific enforcement measures are required

## Smart meters

- The Department of Energy and Climate Change (DECC) should make it clear that the energy suppliers' obligations for complaint handling include responsibility for dealing with complaints around IHDs
- Energy suppliers should remain responsible for complaints about IHDs after a year following installation. Suppliers should have an ongoing responsibility to sort out faults arising because of problems with installation, product manufacture or communications systems
- The remit of the EO should cover all complaints relating to IHDs
- Sales and marketing protection arrangements for consumers should be reviewed by Ofgem and the OFT to ensure that they are sufficiently robust and take account of smart metering and other developments in the energy sector, including bundling of services, supply and products. These arrangements should include redress for consumers

# 1. Introduction

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## 1.1 Background

Consumer Focus commissioned the Centre for Consumers and Essential Services (CCES) to examine what changes may be needed in order to 'future-proof' the advice and redress framework in the energy sector, especially in the context of the far-reaching changes taking place in the energy services market.

The energy market provides one of the most essential of services but it is also one of the most complicated markets for consumers. The changes that are underway will add further complexity and make the sector even more challenging for consumers. Key developments include the roll-out of smart meters and changes in assistance for households with energy efficiency measures, particularly the plans for the Green Deal.

At the same time, arrangements to help consumers cope with energy bills are changing, with the introduction of the Warm Home Discount this year. These developments are taking place against the backdrop of rising energy prices and increasing prevalence of fuel poverty. In particular, there are significant concerns about the impact of these changes for people in vulnerable circumstances.

This combination of events raises crucial questions about the effectiveness of future arrangements for advice, complaint handling and redress, which are also due to undergo fundamental change. The challenge is to ensure that these arrangements will be sufficiently robust, comprehensive and sustainable to meet consumers' needs.

The research for this report took place during a period of ongoing discussions and consultations on a range of significant issues that have a bearing on consumer advice needs and future complaint handling and redress arrangements in the energy sector. We are particularly grateful for input from the DECC regarding its intentions for consumer protections, and clarification on what decisions are yet to be made. We hope that this report will help this decision-making to secure the best outcome for consumers.

## 1.2 Outline of report

This report focuses on the implications of a number of significant developments in the energy sector for the future provision of advice, and for complaint handling and redress frameworks.

- Section 2 considers consumers' advice needs in the context of changes in tariffs and help with energy bills, assistance with energy efficiency, microgeneration and renewable energy schemes, and the roll-out of smart metering
- Section 3 explores what the changes are likely to mean for consumers' needs in terms of effective complaint handling and redress routes
- Section 4 identifies principal consumer concerns and requirements regarding advice, complaint handling and redress arrangements, and sets out proposals aimed at helping to ensure that these meet the breadth of consumer needs in future

## 2. The implications for consumers' advice needs

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The need for consumers to have access to trustworthy and comprehensible advice and information on energy issues is undoubtedly going to heighten as a result of the changes taking place in the sector. This is particularly the case for people in vulnerable circumstances for whom the consequences of experiencing problems with energy services are likely to be especially acute. In this section, we discuss a number of the key areas where access to consumer advice will be critically important.

### 2.1 Tariffs and help with energy bills

#### 2.1.1 Changes affecting tariffs and energy bills

In general, the complexity of tariff structures and arrangements in the energy sector has been a matter of increasing concern for consumer groups and for Ofgem (the regulator is currently considering measures to address this issue). However, apart from the developments outlined above, there are further changes expected which are likely to add to the number and complexity of tariffs on offer. These include new tariff structures – including time-of-use tariffs – which are likely to accompany the roll-out of smart metering and the uptake of electric vehicles. In addition, the Green Deal will continue the changes in the scope of energy billing that started with the introduction of feed-in tariffs. These developments are discussed further below.

#### 2.1.2 Social tariffs and discounts

Many consumers are already finding it difficult to cope with rising fuel bills and there is little prospect that the upward trend in retail energy prices will end in the foreseeable future. Access to advice about potential sources of help – such as 'social tariffs' – is clearly of fundamental importance to many households and it must also include advice about the changes that are taking place in assistance arrangements.

An array of what are often termed 'social tariffs' has developed over recent years, under 'industry initiatives' offered by the major energy suppliers through a voluntary agreement with the Government. The eligibility criteria differed across the suppliers, and the terminology and names of the discounted tariffs and rebates also varied.

The mandatory Warm Home Discount (WHD) was introduced in 2011, and is intended, over time, to replace the tariffs offered under the industry initiatives. Under the WHD, the six major energy suppliers are required to provide a credit on electricity accounts to a 'core group' of low income pensioners (comprising people on Pension Credit Guarantee Credit (in year 1), and then expanding to include a stepped aged threshold for those on Guarantee Credit and Savings Credit).

In addition, the suppliers are required to provide the discount to a 'broader group' but they have some discretion about which customers may qualify for this element of the WHD, subject to approval by Ofgem. The Government has suggested eligibility criteria but the list is not exhaustive. Suppliers are meant to have flexibility to target other customers that the suppliers consider to be suffering from, or at risk of, fuel poverty.

It appears that no customer is automatically entitled to a broader group rebate from their supplier, even if they meet the eligibility criteria set by the supplier.<sup>2</sup>

Under transitional arrangements for legacy spending, suppliers are able to continue providing some support to customers who have benefited from social and discounted tariffs and rebates under the voluntary agreement. Unlike the core and broader WHD groups, help with discounted tariffs and rebates under legacy spending can be made through a customer's electricity or gas account. Suppliers have to reduce their spending on these tariffs and rebates over the planned four-year course of the WHD scheme.

At the time of writing, some legacy social tariffs and rebates had closed to new applicants, while others remain open. Many consumers who would have been eligible for these tariffs are likely to qualify for one or other element of the WHD but discussions are continuing regarding how the scheme will operate in practice.

Consumers will need clear advice and information about a range of tariff issues as the above changes take effect over the next few years. For example many consumers could save money by switching payment method or to a different tariff offered by their supplier or new supplier. Many consumers on low incomes are also likely to need advice about what help is available with energy efficiency costs under existing schemes such as CERT and Warm Front, and under the planned Energy Company Obligation (see section 2.2).

### Warm Home Discount

Government intends to use pension data held by the Department of Work and Pensions (DWP) to identify energy customers who qualify for the core group. Participating suppliers will then be instructed to provide a core group rebate to those customers.

Eligibility for the broader group, in particular, has the potential to be a source of considerable confusion for consumers, not least because the criteria are likely to vary between the suppliers, unlike the criteria for the core group. The names or terminology used are likely to differ as well. At the time of writing only two of the six major suppliers had finalised their plans in this regard. Consumer Focus will shortly publish a briefing document on suppliers' WHD plans, which will be aimed at advisers and consumers.

Consumers who are facing difficulties in coping with energy bills will need advice about the existence of this financial help, whether they qualify under an individual supplier's criteria and, if so, how to apply. As the suppliers have some discretion about this part of the WHD scheme, consumers in vulnerable circumstances may well need assistance in applying. If they meet a supplier's criteria but are turned down for this help, they may need advice on whether they can appeal the decision or whether they could meet another supplier's criteria and support in doing so.

Further work is necessary to ensure help from this scheme, and others, is able to reach the right people. Consumer Focus and a range of other private and third sector organisations support the controlled use of benefits data to match vulnerable consumers to those programmes that are designed to help them.

Sometimes Government action to empower consumers must go beyond advice, and can cut out the cost and time that it takes advice services to match consumers to the support they need.

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<sup>2</sup> *Warm Home Discount: Guidance for Licensed Electricity Suppliers and Licensed Gas Suppliers*, Ofgem (2011)

## ‘Legacy’ help

Consumers who have previously qualified for social tariffs and rebates are likely to need advice about how long this help will continue, and when and whether they can transfer to the core or broader group elements of the WHD, whether they qualify, and how to apply.

Other consumers who are facing difficulties in coping with energy bills will also need advice about the existence of discounted and social tariffs, offered through the suppliers’ legacy spending, which remain open to new applicants. Advice will be particularly important as these tariffs and discounts are likely to be withdrawn or subject to changes in eligibility at any time. Moreover, consumers will need advice about the differences between these and other discounts available, particularly under the WHD broader group as well as the core group.

### Summary of consumers’ key advice needs

- Whether they qualify for the core group element of WHD, including how the eligibility criteria will alter year-by-year, and how to apply
- Whether they qualify for the broader group element of the WHD and how to apply
- Consumers who already receive help through discounted tariffs and rebates provided through the suppliers’ legacy spending are likely to need advice about what is happening and how it will affect them
- Consumers will need advice about legacy spend tariffs and social discounts which remain open to new applicants
- Consumers not eligible for the WHD or legacy spend will need information about how to reduce their energy bills eg switching tariffs or payment method, energy efficiency programmes, etc

## 2.2 Green Deal and other energy efficiency assistance

### 2.2.1 Green Deal

The Green Deal is due to be introduced in 2012 and it will be a highly significant new element in an already complicated energy landscape. It is a complex scheme and involves many detailed components. Below we have attempted to summarise a number of key aspects, and then highlight some of the numerous issues around which consumers will need reliable advice.

The Green Deal is essentially a finance mechanism that allows households to pay for energy efficiency measures through the savings those measures make on their energy bills. According to the Government’s ‘Golden Rule’ for the loan of the finance, the expected financial savings for consumers must be equal to, or greater than, the costs attached to the energy bill.

Green Deal repayments – including interest – will be collected by energy suppliers through the consumer’s energy bill over a period up to 25 years. The responsibility for a Green Deal plan and payments will rest with the bill-payer.

If people move, then the charge remains with the property – so the household benefitting from the measures pays for them. Consequently, issues will arise about transfer of responsibility for these payments, for example, when a home is sold to a new owner, or when a new tenant moves into a rented property.

The charge will be disclosed to prospective tenants or buyers on the EPC, with protections in case of non-disclosure. It is not known how this will affect the attractiveness of properties, although Consumer Focus research<sup>3</sup> suggests it could deter interest in a competitive property market. If people default on these payments, they could be liable to disconnection from energy supply, subject to existing consumer protection regulations. Problems may also emerge for consumers when they switch supplier.

Green Deal finance will be linked to a series of standards designed to assure consumers (and lenders) of the quality of advice and installation. Consumers may choose not to use Green Deal finance to pay for Green Deal accredited energy efficiency measures. They may prefer to pay for the work upfront, in whole or in part. However, it is not clear that the standards and accreditation framework will offer them any protection if things go wrong. It is also not clear what advice consumers will be given on the different finance options.

Lenders of Green Deal finance will need to be licensed and accredited as Green Deal providers. These may include energy suppliers but it is envisaged that a range of other organisations will become Green Deal providers, such as large retail chains, builders and local authorities. The role of the Green Deal provider will be to offer Green Deal finance to customers to cover the upfront costs of work. At the point of receiving this offer, the consumer will have received an impartial assessment that sets out the average costs and benefits of generic products. The offer will be based on the provider's specific charge for their product range and the cost of installation in the customer's home by an accredited installer (an employee of the Green Deal provider or an accredited sub-contractor). It is not known if consumers will be able to easily compare offers from different Green Deal providers. The customer's contractual relationship will be with their chosen Green Deal provider. There will be a new Green Deal Code, which is intended to assure consumers of the quality of advice, installation and installed measures during the life of the Green Deal plan.

The Green Deal involves a host of new and often-complicated issues for consumers. We highlight some of these below but there are many other topics and problems that are likely to arise where access to trustworthy and independent advice will be essential. These include the potential for pressurised marketing or misselling as the Minister has stated that Green Deal providers should be allowed to use Green Deal visits to consumers' homes *'to take the opportunity to market wallpaper, carpets and, if the walls are being lined, curtains and perhaps a sofa'*.<sup>4</sup>

### 2.2.2 Energy Company Obligation

The Green Deal is closely linked to the new Energy Company Obligation (ECO). The ECO will focus on providing energy efficiency measures to eligible consumers in fuel poverty (the 'Affordable Warmth' element) and those living in hard-to-treat properties.

Help under ECO will be financed by energy suppliers and the costs borne by consumers in general. In addition, ECO support will be able to be combined with Green Deal finance as one package for consumers.

At the time of writing, details of eligibility criteria for the ECO were not yet available, and a consultation is due in October 2011. However, it appears that the Affordable Warmth element could form a small part of the overall ECO programme.

Our understanding is that only a very tightly defined 'group' of low income households is likely to be eligible. If this is the case, it will mean that other fuel poor households would need to consider whether a Green Deal finance plan would be suitable and affordable.

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<sup>3</sup> Consumer Focus (2011) Easy as EPC, <http://bit.ly/o7soHd>

<sup>4</sup> Minister of State (Climate Change), Energy and Climate Change, Fourth sitting of the Energy Bill Committee Stage, 9 June 2011, Hansard col no 120

**In addition, we also understand that DECC does not intend to specify the services which energy companies will provide under the Affordable Warmth element of ECO. Energy suppliers will be able to determine the level of subsidy they provide for energy efficiency measures under this programme. The result could well be a range of different measures offered by different companies. Some companies may offer free measures, while others may require a contribution which is also likely to vary between providers. This will add to consumer confusion about what forms of assistance are available and on what terms. Summary of consumers' advice needs:**

### Promotion and marketing

Consumers will need advice and information about their rights regarding promotion and selling, including matters such as:

- Whether an organisation is an accredited Green Deal provider
- Pressurised selling of Green Deal offers
- Misselling of deals which are wrongly promoted as Green Deal offers
- Mis-use of the Green Deal 'badge' by non-accredited traders

### Finance

Consumers will need advice about a range of aspects associated with Green Deal financing, including issues such as:

- What the Green Deal involves and the suitability of Green Deal financing for their needs
- Options for financing Green Deal accredited measures, including suitability of self-financing some or all Green Deal measures
- Whether it is possible to apply for a variation in repayments if household circumstances subsequently change
- Consumers' rights if there has been irresponsible provision of Green Deal financing
- Consumers' eligibility for help under ECO
- Consumers' rights if they are denied access to ECO
- Whether changes in household circumstances (eg onset of long term illness) might enable a consumer to 'swap' from a Green Deal repayment plan to ECO
- Failure of Green Deal plans to deliver promised savings
- Tenants' rights regarding Green Deal payments in their energy bills
- What rights and obligations tenants, new owner-occupiers and lessees have if they move into, or plan to move into, a property where the previous occupant had a Green Deal plan which is ongoing (including the right to be properly informed and the need to sign to acknowledge)

### Tenure

- Tenants' rights to request or reject action on the energy efficiency of a rented property
- Leaseholders' rights to request or reject action on the energy efficiency of a freehold property

## Repayments

Under the Green Deal, energy bills will include charges for items that are not directly related to a household energy supply, and consumers will be at risk of disconnection if they default on Green Deal payments. Access to independent advice will be vital if problems arise for consumers such as:

- Difficulties with Green Deal repayments, including changes in household circumstances
- Errors in Green Deal charges as included in energy bills
- Incorrect billing, particularly as a result of switching supplier or inaccurate notifications from the Green Deal provider
- How to check whether ongoing billing concerning Green Deal repayments is accurate and correct, and what to do if there is any doubt about this
- What to do if tenants are concerned about Green Deal charges in their bills

## Assessment and installation

Advice on appropriate Green Deal measures will need to be provided by accredited assessors and installation will need to be carried out by accredited installers. Various standards and other arrangements are in the process of being drawn up to govern the activities of assessors and installers.

In addition, although microgeneration will not form part of the Green Deal finance, it will form part of the Green Deal assessment, which will include recommendations for renewable heat technologies and microgeneration technologies. As a result, there is likely to be a difference between the assessment, the contract with the Green Deal provider and what is actually included in Green Deal finance.

Consumers will need access to independent advice about a raft of issues and potential problems that are likely to arise, including for example:

- Whether the assessment for a Green Deal is carried out by a properly accredited assessor; the proposed installer is properly accredited; and what to do if there is any doubt about this
- Consumers' rights if an assessment or offer results in inappropriate Green Deal measures or finance
- Whether an assessment based on average costs and savings can be relied upon so that the Green Deal plan meets the 'Golden Rule' as far as is practicable, and what to do if there is any doubt about this
- What additional measures can be included in an assessment that are not covered by the Green Deal finance
- Consumers' rights if there are problems as a result of poor quality installation, including damage to the property, or because of faulty products – including consumers' rights if a period of time has passed since installation
- Whether consumers can insist that assessors and/or installers fit in with their personal requirements; for example, if a consumer has to go out to have medical treatment, go into hospital, or have medical treatment at home such as kidney dialysis, or has carers who assist with health or personal care

### 2.2.3 Other assistance with energy efficiency

It is also important to note that consumers need access to advice about other potential assistance with energy efficiency improvements, including the implications of changes that are taking place in this respect. Many are likely to be on low incomes or in other vulnerable circumstances and not in a position to afford such measures themselves.

For example, the CERT scheme (Carbon Emissions Reduction Target) has been extended until December 2012 across England, Scotland and Wales. CERT is an obligation on gas and electricity suppliers to deliver a reduction in household carbon savings across England, Scotland and Wales. CERT requires suppliers to focus at least 40 per cent of this activity on a 'Priority Group' of vulnerable and low-income households.

Furthermore the State-funded Warm Front scheme is planned to continue until April 2013. The scheme provides heating and insulation improvements to households in England who meet the eligibility criteria and are living in properties that are poorly insulated and/or do not have a working central heating system. The scheme was temporarily suspended but it has been re-launched with a new set of eligibility criteria and has been accepting new applications since April 2011, albeit with a reduced budget.

In addition, the Community Energy Saving Programme currently places obligation on the major gas and electricity suppliers and electricity generators to deliver energy saving measures to domestic consumers in specific low income areas of Britain. The Programme is due to end on 31 December 2012. Ofgem is responsible for administering the programme.

### 2.2.4 Energy efficiency assistance in Scotland and Wales

Currently there are energy efficiency assistance schemes which are specific to Scotland and Wales. However, there is uncertainty about whether these schemes will continue in their present forms in future. This is a matter of significant concern particularly because of the prevalence of hard-to-heat homes and of properties without access to mains gas, along with the prevalence of fuel poverty, in the two nations. There is a need to clarify the situation for consumers in the three nations, and to minimise consumer confusion and potential 'postcode lotteries' if support for energy efficiency differs markedly between the nations.

#### Scotland

There is uncertainty about whether the existing Energy Assistance Package (EAP) will be part of or integrated in some way with the Green Deal, according to Consumer Focus Scotland. The EAP was introduced in April 2009 and replaced previous central heating and warm deal programmes, and it is currently expected to continue for up to a year (its future is not certain). It is funded by the Scottish Government and includes advice, benefit checks, low cost energy rates, and energy efficiency measures. Eligibility criteria are based largely on age and benefit entitlement. The EST manages delivery of the package on behalf of the Scottish Government, and we understand that consumer complaints should be directed to the EST.

Also, in May 2011 this year, the First Minister announced the introduction of a £50 million Warm Homes Fund supported from the Scottish Futures Fund to deliver energy efficiency, district heating and other measures targeted at the fuel poor. In addition, there is the Home Insulation Scheme which operates in a number of local authority areas across Scotland, offering relatively low cost insulation measures. It is funded jointly by the Government, local authorities and other local agencies, and 'complements' the EAP.

Again it is unclear whether either of these programmes will have a relationship with the Green Deal in any way.

There is also the Central Energy Efficiency Fund in Scotland, which provides interest free loans to local authorities and other public bodies to fund installation of energy efficiency and renewable energy measures.

## Wales

There is similar uncertainty about the future of some schemes in Wales. Here, the Home Energy Efficiency Scheme closed at the end of March 2011, to be replaced by the Welsh Assembly fuel poverty scheme, Nest, which is planned to run for the next five years.

Nest is intended to be a 'one-stop shop' for advice on a range of energy issues in Wales. The main purpose being to assist fuel poor homes to access all the available help they may be entitled to. The scheme itself consists of a 'whole house' assessment, and is available to people who are in receipt of an income-related benefit and living in the hardest-to-heat homes. For those eligible the scheme includes provision of measures such as: a new central heating boiler; insulation for a hot water cylinder; loft, cavity wall and solid wall insulation; draught proofing for doors and windows, and renewable energy technologies such as solar panels. Eligibility criteria revolve around entitlement to certain income-related benefits and credits, and the energy efficiency of the home.

Consumer Focus Wales is currently of the view that Nest will complement Green Deal measures, but – importantly – is still unclear about to what extent the five-year scheme will or will not be integrated with the Green Deal, in whole or in part. The contract to run Nest was awarded by the Welsh Assembly to British Gas, the 'delivery partner' (to assess and install). There is an advice line for Nest, run by the EST, though it appears that complaints have to be made to the delivery contractor (that is, British Gas).

In addition, Arbed, the Strategic Energy Performance Investment Programme in Wales, funded by the Welsh Government, works with social housing providers to improve the home energy efficiency of communities in deprived areas.

## Energy efficiency assistance from local authorities

As well as the schemes described elsewhere in this paper, there is a wide array of local authority-based schemes across Britain which can provide various forms of help with energy efficiency measures.

For example, just to give an indication of the types of help currently available: the HEEP scheme in Hertfordshire, Essex and Bedfordshire districts offers fully funded renewable energy installations of solar PV, solar thermal and heat pumps for those at most risk of fuel poverty. The East Sussex Energy Partnership provides grants for free solar panels in certain districts, subject to availability. The Suffolk Energy Action Link consists of seven local authorities who have come together to promote domestic energy efficiency and to run schemes for domestic solar water heating and insulation. There are, of course, many other such schemes at local level.

The variability of local authority-based support for home energy efficiency is likely to create confusion for consumers. It is also difficult to determine the extent to which consumers, especially those in vulnerable circumstances, are aware of their existence in the first place and of what they offer and how to apply, especially if they are not able to access the internet.

## 2.3 Microgeneration and renewable energy schemes

### 2.3.1 Microgeneration and feed-in tariffs

As part of the Government's drive to meet carbon reduction targets, activity designed to increase consumer take-up of microgeneration technologies will increase, and may well also accompany the roll-out of smart metering (see below). For example, DECC's *Microgeneration Strategy* (2011) states:

*'Our shared objective is to see the microgeneration sector move into the energy mainstream, offering consumers affordable, and cost-effective low carbon energy products.'*

The Strategy primarily covers England in line with the legal requirements, and some aspects have a UK wide impact.<sup>5</sup> The Government has said that the Devolved Administrations will be taking forward work on microgeneration in their respective areas.

The Feed-in Tariffs (FITs) scheme forms part of this strategy. Introduced in April 2010 in Britain, the scheme is aimed at enabling organisations and individuals to invest in small scale low carbon electricity in return for a guaranteed payment for the electricity they generate and export. The current FITs scheme is administered by Ofgem and the Government has nominated the EST and Carbon Trust to provide public information on the scheme and how to apply.

The scheme guarantees a minimum payment for all electricity generated by the system, as well as a separate payment for electricity exported to the grid. These payments are in addition to bill savings achieved by consumers for using the electricity generated on-site. The tariffs available and the process for receiving them vary, depending on when the technology was installed, and whether the system and the installer were certificated under the Microgeneration Certification Scheme (MCS). Electricity companies will only pay the FiT if the systems were installed by a MCS member.

Under the FITs scheme, consumers must have an additional electricity meter to measure the electricity their system is generating. They are also required to provide meter readings to their supplier. Where ownership of a home changes, the technology will transfer to the new owner. Regarding rented accommodation, it is up to landlords and tenants to come to an arrangement about the receipt of payments and on-site electricity use benefits.<sup>6</sup>

Many, probably most, consumers will be unfamiliar with microgeneration technologies and related schemes such as FiTs. There are complex issues involved in making decisions about the suitability of a technology and the possible savings. Online help is currently available, for example, through the EST's Home Energy Generation Selector Tool. However, not all consumers are likely to know of its existence and not all consumers have internet access. The Government itself has highlighted these issues:

*'Consumers in the UK are still, largely, unfamiliar with microgeneration. The purchase of a generating system is a significant step for most householders, not least in financial terms. It requires a significant investment whether for savings or from a loan. Lack of easily accessible and reliable information at this early stage can act as a barrier as well as a disincentive.'*

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<sup>5</sup> DECC (2011) *Microgeneration Strategy* <http://bit.ly/o6S3Qv>

<sup>6</sup> Energy Saving Trust (2011) *Feed-in Tariff Scheme*, <http://bit.ly/poqqGA>

*'Currently, most householders start searching for information on the internet, but they struggle to identify accurate, unbiased information. In the absence of a widely recognised source of impartial advice, anecdotal evidence of previous grant programmes suggests that investment decisions could be taken based on inadequate information or even influenced by misselling. Invariably, this results in an inappropriate solution for a particular house and the possibility of a poor quality installation.'*<sup>7</sup>

Given the complexity of these issues and many people's unfamiliarity with the technologies and possible options, there is a significant risk of misselling and of consumers being given misleading information by companies promoting these technologies.

Of particular concern is REAL Assurance's finding that misselling is being targeted at more vulnerable consumers, such as elderly people who live alone<sup>8</sup>.

According to a recent Which? investigation, some solar panel companies are using misleading sales tactics and giving poor advice to people looking to buy these panels.<sup>9</sup> Three quarters of the companies investigated overestimated how much energy the solar PV panels would produce and most underestimated how long it would take for the system to pay for itself. Which? is calling for strengthening and better enforcement of the MCS rules and changes in the way that profits and payback time are calculated.

Responses to DECC's consultation in the microgeneration strategy showed widespread support for delivering advice on microgeneration alongside the advice on energy efficiency envisaged under the Green Deal. DECC also commented that this could give consumers access to the accredited advisers trained in microgeneration technologies. However, it is asking a lot of the technical knowledge of an adviser to give fully accredited advice on such a range of measures.

One of the action points of the Government's microgeneration strategy is to *'Empower consumers with greater knowledge and awareness of different sources of independent advice on microgeneration.'*<sup>10</sup> However, consumers are likely to be put off from finding out about or participating in microgeneration and energy efficiency schemes if they have to contact numerous organisations to obtain independent information and trustworthy advice about different schemes.

Also, consumers will need to know what types of protection are available if problems arise, including warranty and insurance schemes. The Government has recently asked industry to carry out a scoping and mapping exercise of current warranty and insurance schemes, and produce a guide for consumers.<sup>11</sup> This and other consumer information and advice must be provided in ways that are widely accessible, comprehensive and trustworthy.

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<sup>7</sup> DECC (2011) *Microgeneration Strategy* <http://bit.ly/o6S3Qv>

<sup>7</sup> Which (2011) *Solar panel firms give consumers poor advice*, <http://bit.ly/qlGkiv>

<sup>8</sup> <http://bit.ly/q7ynyo>

<sup>9</sup> *ibid*

<sup>10</sup> DECC (2011) *Microgeneration Strategy* <http://bit.ly/o6S3Qv>

<sup>11</sup> *ibid*

## Summary of consumers' advice needs

Consumers will need access to trustworthy and independent advice when they are considering installation of microgeneration technologies and post-installation, as well as up-to-date and clear advice about schemes such as FiTs. Key issues are likely to include the following:

- What microgeneration schemes are available, and how to decide whether particular technologies are suitable for their homes
- Differences and possible overlaps between different types of schemes
- How to assess financing options and possible savings in energy bills
- What the FiTs scheme involves and whether it is suitable for their circumstances
- Consumers' rights if they are given incorrect or misleading information about products, terms or the potential savings were exaggerated
- How to find out whether installers and possible subcontractors are accredited
- What to do if they have been misold products or wrongly informed that installers were properly accredited
- Consumers' rights if installers do not arrive at appointed times, or if the work causes damage in the home
- Consumers' rights if there is unreasonable disruption, for example, if power is cut off at times which affect medical or alarm equipment for someone in the home who has health or medical needs
- Advice about any need for local authority approval, and what to do if they were wrongly informed about the need for this
- What consumer protection is available if faults arise
- What the installation of these technologies or involvement in FiTs may mean for those living in rented properties (local authority, social and private landlords), in leasehold properties and what to do if problems arise

### 2.3.2 The Renewable Heat Incentive (RHI)

The Renewable Heat Incentive (RHI) scheme has been recently introduced in Britain, and it is designed to provide a financial incentive to install renewable heating in place of fossil fuels. The scheme is being phased in, and the Government has said that it expects to open the domestic sector element of the scheme *'to align with the Green Deal in October 2012'*.<sup>12</sup>

However, in the interim, as part of the first phase, the Government has introduced Renewable Heat Premium Payments for households. It has ring-fenced funding of around £15 million to make payments to households who install renewable heating. These payments will subsidise the cost of installing qualifying renewable heating systems. In return for these payments, participants are asked to provide some feedback on how the equipment works in practice.

The Government has said that a second phase of RHI support, including long-term tariff support for the domestic sector will then be introduced in 2012, to coincide with the introduction of the Green Deal.

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<sup>12</sup> <http://bit.ly/qohSUI>

DECC and the EST are responsible for administering payments made under the RHI scheme. Further, the Government has recently said that *'the MCS (the Microgeneration Certification Scheme) is likely to support delivery of the Renewable Heat Incentive to the domestic sector in 2012'* in order to accredit products and services for the domestic sector.<sup>13</sup>

The amount received from the scheme under the interim Renewable Heat Premium Payments depends on which technology households are applying for (these currently include solar thermal panels, heat pumps, and biomass boilers). The products and installers that households use must be certified under the Microgeneration Certification Scheme (MCS), Solar Keymark (a voluntary third-party CEN/CENELEC European certification mark scheme for solar thermal products) or equivalent. It is up to consumers to check which is suitable for their home. The EST includes a 'Try our Home Energy Generation Selector' tool on its website to help consumers identify the most suitable technologies for their home.

### Summary of consumers' advice needs:

- Eligibility for these payments
- What they will be expected to do in return for the payments
- Investigating and assessing the various renewable technologies on offer in terms of suitability for their home
- Getting quotes from MCS certified installers (or equivalent)
- What certification means
- What to do if the installer is not properly certified
- Checking planning permission (particularly for Air Source Heat Pumps)
- Their rights if things go wrong with quotations of costs
- Their rights in the event of poor quality of installation or faulty products

## 2.4 Smart metering and IHDs

The mandated roll-out of smart metering will start in 2014, with planned completion by 2019. Obligations will be placed on the energy suppliers to supply their customers with smart meters.

Smart meters relay real-time information to suppliers (through a wireless network), thereby eliminating the need for onsite meter reading. Consumers will also be provided with IHDs which will show near real-time information on their energy consumption and other related data. Moreover, smart metering will have the functionality to enable consumers to export energy through micro-generation.

DECC has established a smart metering programme to oversee the creation of an organisational and regulatory framework for the roll-out. Many consumer protection and advice-related issues are under discussion and subject to continuing and copious consultations.

DECC has been consulting on a Smart Metering Code of Practice governing the installation of smart meters at domestic and micro-business sites, and is now seeking views on draft licence conditions to implement this policy approach. In parallel, the Energy Retail Association (ERA) is consulting on a draft Smart Metering Installation Code of Practice.

<sup>13</sup> *Microgeneration Strategy*, DECC (2011)

Other potential regulatory changes to be considered by DECC in future include privacy, consumer engagement and security policy.

In addition, Ofgem is currently considering (following a recent statutory consultation) proposed licence modifications on some issues related to installation of meters with additional functionality ahead of the mandated roll-out. (Two energy suppliers have begun major rollouts of smart meters.)

According to DECC<sup>14</sup>, the regulatory regime for smart metering will be established using the following:

- Licence obligations, monitored and enforced by Ofgem
- Industry codes, to which all relevant licensees are obliged to comply under their licence
- Compulsory or voluntary codes of practice, to set minimum standards for certain activities of particular parties

As with the Green Deal, the roll-out of smart metering gives rise to numerous issues that are likely to impact on consumers, particularly those in vulnerable circumstances. We highlight below some of the key implications for consumers' advice needs.

#### 2.4.1 New tariffs, more complexity?

Smart metering will facilitate the introduction of a range of new tariffs (for example, intra-day time of use tariffs (TOUs); critical peak pricing; peak time rebates; energy efficiency packages; remote control appliance deals; seasonal tariffs; more localised pricing and single energy tariffs).

Much has been written elsewhere on the complexity of tariffs in the energy market and the difficulties this creates for consumers in finding out about cheaper tariffs, and in making decisions about the most suitable tariff and payment method. Smart metering risks adding further complexity to a market that many already find hard to navigate. Ofgem proposes updating the licence conditions to ensure customers can benefit from enhanced consumption information. But many concerns remain to be addressed.

For example, TOU tariffs could result in consumer detriment if people sign up to a tariff that they do not fully understand or are unable to alter their demand patterns. Similarly there are concerns about the effects of load limiting tariffs and managed credit deals which could either disconnect customers or impose penalties for exceeding agreed limits. Cheaper tariffs for consumers who allow remote control of appliances in their home may well be attractive but might involve higher charges if they override this function.<sup>15</sup>

Other consumer issues include the adequacy of information provided to consumers about projected bills before signing up to new tariffs. And, where a customer switches supplier, it appears possible that this could reduce the smart meter functionality pre-2014, when full interoperability is supposed to come into effect.

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<sup>14</sup> *Smart Metering Implementation Programme Licence conditions for a Code of Practice for the installation of smart electricity and gas meters: a consultation*, Department of Energy and Climate Change (2011)

<sup>15</sup> *Consumer Focus response to Smart Metering Implementation Programme: Consumer Protections*, Consumer Focus (2011)

## 2.4.2 Vulnerable consumers

The kinds of tariff issues arising from the introduction of smart meters outlined above are likely to carry particularly serious risks for vulnerable consumers. For example, costs arising from being on the wrong tariff for their needs, or being charged financial penalties for going over set limits, will affect low income households especially heavily.

There are other serious implications for consumers in vulnerable circumstances that are associated with smart metering. In particular, smart meters will allow remote disconnection by the supplier, and similarly enable them to place a consumer on a pre-PPM scheme. These developments raise fundamental concerns over the adequacy of consumer protection and underline the need for consumers to have easily accessible and reliable advice.

Moreover, while the smart metering programme is aimed at helping to deliver public policy goals including carbon reduction and affordable energy, there may well be unintended consequences. The impact of near-real time information on consumption, for example, could cause some consumers on low incomes to ration their energy use to the point where it endangers their health or that of others in the household.

## 2.4.3 Installation issues

As outlined above, various codes of practice and obligations are currently being developed to cover issues connected with the installation of smart metering. These include a range of topics such as arrangements for installation, requirements about demonstrations of the systems, marketing activities during installation visits, and some issues relating to vulnerable consumers. It is too early to know whether planned regulatory and consumer protection safeguards will be sufficiently comprehensive and whether monitoring of compliance and enforcement will be effective. Four of big six suppliers are currently being investigated by Ofgem for alleged breaches of the misselling licence condition.

## 2.4.4 Usability and accessibility

Smart meters and IHDs will need to be located accessibly, and be able to be moved if necessary (for example, if someone's needs change over time). Similarly there are concerns about the usability of IHDs particularly for people who have specific needs (Consumer Focus recently commissioned Ricability to identify the design attributes of IHDs that affect ease of use).<sup>16</sup>

## 2.4.5 Data protection

There is a range of issues around data protection connected with the roll-out of smart metering. Due to time constraints, it has not been possible to explore these in any detail. However, it will be vital for consumers to have access to independent advice about what they have a right expect in terms of privacy and sharing of data.

Consumers may want to be able to share their energy consumption information with accredited third parties, for example, to aid switching decisions. There are likely to be other data protection issues as well. In the event of problems arising, consumers will need advice about their rights, potentially including the role of the Information Commissioner.

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<sup>16</sup> *Getting to grips with smart displays: An expert appraisal of the usability of in-home energy displays*, Consumer Focus (2011)

## 2.4.6 Consumer advice

The draft licence conditions for the installation of smart meters include requirements around provision of information and advice to domestic customers about matters relating to smart metering equipment and use, including signposting to additional sources of advice and information about energy efficiency.<sup>17</sup>

Apart from the specific obligations that will be placed on the energy suppliers in this regard, it is not yet clear what else is being planned regarding provision of consumer advice about smart metering and related issues. The topic is likely to be addressed further as part of the smart metering consumer engagement strategy. Our understanding is that there will be no linkage to Green Deal advice provision, for example, through the proposed Green Deal advice line.

However, as with the Green Deal, there is a raft of issues arising from the smart metering roll-out which will give rise to the need for good consumer advice.

### Some of the key consumer advice needs are likely to include the following:

- What consumers have a right to expect before and during installation visits and their rights if things go wrong, for example, there is damage to the home, unnecessary disruption, or pressurised marketing
- Consumers' rights with regard to where both meters and IHDs displays are sited, and what they can do if they do not regard the location as suitable, or their circumstances change
- Consumers' rights to require that an IHD provides an accessible and usable display which meets their needs, including any rights and entitlements to review a range of models and display settings
- Consumers' rights to continue with their pre-existing tariff arrangements once the smart meter is installed
- The suitability of different tariffs for consumers' needs, including affordability and consumption considerations
- Consumer rights to reject or switch from unsuitable tariffs (such as TOU tariffs, load-limiting tariffs), or to or from PPMs, especially if they are facing payment difficulties, and what they can do if a supplier unreasonably rejects such a request
- What protection is available if a consumer is threatened with or experiences remote disconnection or is switched onto a PPM
- Consumer rights if there are technical difficulties or faults with a smart meter or IHD, or the communication system
- As a result of switching suppliers, consumers' rights if the functionality of a smart meter is reduced
- Consumers' rights regarding data protection and data sharing, including use of data by third parties; what consumers should do if problems arise, for example, data is given to or obtained by a person or organisation not authorised or agreed to by the consumer

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<sup>17</sup> *Smart Metering Implementation Programme: Licence conditions for a Code of Practice for the installation of smart electricity and gas meters: a consultation*, DECC (2011)

## 3. Complaint handling and redress

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It is especially important that future complaint handling and redress systems are clear, streamlined, robust and able to deal with the breadth of issues that may give rise to complaints. Consumer complaints could well involve a complex range of issues, such as billing, payment and possible disconnection, installation, quality of products and services, and metering difficulties. There will also be considerable risk of consumers being subject to misselling and potential harm from rogue traders. Systems should meet the commonly accepted principles of good complaint handling.

This applies equally to the internal complaint handling systems operated by the energy suppliers. It is already the case that a large proportion of customers remain dissatisfied with their overall experience of the suppliers' complaints handling processes.<sup>18</sup> British Gas has recently been notified by Ofgem of its intention to levy a £2.5 million fine for breaching regulations relating to consumer complaints handling. Ofgem is currently investigating whether EDF Energy and npower are complying with these complaint handling standards.

This section discusses the implications for complaint handling and redress arising from a number of the key changes that are taking place in the energy sector. This is a fast-moving area involving complex matters and new consumer relationships with a wider range of companies and other bodies. We have identified a series of issues that need to be urgently addressed on the basis of currently available public information but a number of important unknowns remain to be clarified.

Consumers will need to know:

- Who to complain to in the first instance
- Who has the duty to deal with complaints, what powers do they have and what level of service consumers have a right to expect
- What redress is potentially available for unresolved complaints

They will not want to be passed between multiple agencies with different duties.

### 3.1 Energy efficiency assistance

A range of organisations will be involved in the provision and financing of help with home energy efficiency measures under the Green Deal. These include energy suppliers (responsible for collecting Green Deal loan payments from customers); Green Deal providers (which may or may not be energy suppliers, and will retain ultimate liability for non-payment of the Green Deal charge); Green Deal finance providers; advisers; and installers. Assessors and installers will need to be members of a Green Deal accredited certification body which will apply appropriate standards. These standards will be independently accredited by UKAS (the United Kingdom Accreditation Service).

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<sup>18</sup> *Customer Complaints Handling Research*, Harris Interactive, Ofgem (2010)

As indicated previously, Green Deal providers may or may not be energy suppliers and are likely to include a wide spectrum of bodies, such as supermarket chains, other retailers, builders, and local authorities. Also, a range of financial institutions will be involved in offering Green Deal finance and so interest rates may differ between providers.

The Green Deal will encompass a spectrum of supply, product and service issues for consumers. These include advice and assessment, selling, installation, financing terms, quality of products and services, billing and payments. There are also particular concerns about the implications for people in vulnerable circumstances, as consumers will be at risk of disconnection if there are difficulties with Green Deal repayments included in their energy bills. In addition, further complaint types (beyond the quality of advice and installation) may arise in relation to access to the ECO – including whether consumers are able to access ECO support whichever provider they use, and whether they are able to get ECO support applied to an existing Green Deal repayment plan if their circumstances change during the Green Deal payment period.

The nature of consumer complaints will also depend on whether people are tenants, owner-occupiers or landlords. Consumers who rent a property that has been subject to Green Deal measures, or are about to move into such a property, will need clear complaints and redress routes. Problems that could occur include failure by a landlord to disclose a Green Deal repayment requirement when renting a property; failure by an owner to disclose a Green Deal package applying to a property during transfer of ownership; and actions by landlords that result in a tenant being charged twice for Green Deal measures (through increases in rent and by having to pay on their energy bill). Leaseholders may face similar problems in their relationship with freeholders.

As a result, there are numerous aspects of the Green Deal which could give rise to consumer complaints and the need for redress, and a single complaint could span across a range of organisations or have an unclear origin. For example, if a consumer complains that they have been charged too much for insulation – is this because the Government-backed software holds inaccurate price data, independent advice was inaccurate, the provider has overcharged in comparison with their offer, the subcontractor has used the wrong materials and the provider is trying to claw back costs from the customer, or the charge has been incorrectly entered into a Green Deal billing system?

Given the number of stages involved in the Green Deal for consumers, the number of players potentially involved, and the length of time that Green Deal loan repayments could entail (up to 25 years), it will be imperative that complaints and redress routes for consumers are clear, easy to access and meet minimum standards. These routes and processes will also need to be clearly signposted and fully understood by all parties involved.

### **3.1.1 Stages of complaint handling**

When things go wrong in energy services, as in other sectors, consumers need to be clear who to contact in the first place to get a complaint resolved. Given the numerous consumer issues involved in the Green Deal, it will also be essential to have a clear first tier contact for complaints, and easily understandable and effective signposting and referral procedures.

At present, if a complaint involves matters relating to energy supply, billing and charging consumers have recourse to the supplier's internal complaint handling process. But it is currently not clear which organisation consumers should contact in the first instance with complaints over other aspects of the Green Deal. These could include matters such as poor assessment advice, poor quality work, faulty products, and misselling.

DECC has said that Green Deal providers should provide satisfaction for the customer and remedy the source of problems with other participants.<sup>19</sup> DECC also confirmed in correspondence with the report authors that the consumer should go to the Green Deal provider first. However, it is not clear whether Green Deal providers will be required to resolve all consumer complaints directly.

In particular, it appears that under current DECC proposals, where complaints relate to Green Deal assessors, consumers will be expected to take unresolved complaints to the relevant accredited certification body. At the time of writing, it was also not clear whether DECC intends that consumers will have the right to seek redress from the EO with unresolved complaints about Green Deal assessors.

It is also unclear whether it is anticipated that UKAS will have any role in Green Deal complaint handling processes. (Note that all bodies under the UKAS scheme, and UKAS itself, are required to sign up to the complaints handling standards provided in BSI standard EN 45011.)

If consumers are expected to pursue complaints through the certification bodies or through UKAS there is great potential for consumer confusion and detriment. There is a serious risk that consumers will be pushed from pillar to post and find the whole process so daunting that they give up before obtaining a satisfactory resolution. It is crucial that complaint handling and redress systems are able to deal with and resolve the breadth of consumer problems that might arise regarding the Green Deal.

### Where should responsibility fall?

From the consumer standpoint, it is vital that people are clear whom they should contact with a complaint about any aspect of a Green Deal plan or the ECO.

There are three obvious options. First, as consumers are more likely to be familiar with their energy supplier, which will also be collecting Green Deal payments, it would be logical for suppliers to act as the first point of contact for complaints about all aspects of the Green Deal. Suppliers already have obligations to deal with complaints about billing and other supply matters. Under this option, suppliers would be responsible for dealing with billing and supply complaints that are related to the Green Deal and for directly referring all other Green Deal-related complaints to the Green Deal provider. The disadvantages associated with this option are that the energy suppliers will have a very limited role in the customer's Green Deal plan, unless they are also the Green Deal provider.

The second option would be for Green Deal providers to be the first point of contact for all consumer complaints about the Green Deal. However, this could mean that complaints about billing and supply matters related to the Green Deal are made more complicated and potentially unnecessarily delayed. It should be borne in mind that the consequences for consumers could be serious, especially if they are in vulnerable circumstances.

The third option would be for consumers to contact their energy supplier about any billing or supply-related issues arising from the Green Deal, and for Green Deal providers to be the first point of contact for all other aspects including assessment and installation etc.

None of these present options are entirely satisfactory solutions, particularly as consumer complaints may well encompass a variety of billing, assessment and installation issues. In our view at present, the third option seems preferable as it would minimise the risk of delays on vital matters such as billing.

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<sup>19</sup> DECC (2011) *Consumer protection in the Green Deal*, <http://bit.ly/rba1Zw>

However, with this option – and indeed any alternative – there must be robust systems for ensuring clear and speedy signposting and referrals between suppliers and Green Deal providers and other relevant parties. It will also be essential to ensure that these organisations have the necessary capacity and capability to make the right referrals to other bodies.

Moreover, it would not be acceptable for consumers to have to take unresolved complaints to various parties such as subcontracted installers and assessors, and certification bodies. Instead the Green Deal provider should be responsible for dealing with all non-billing matters involved in a complaint, including any investigation of and contact with assessors, installers, which might include the quality of service and products.

Where a consumer has used an independent advice service and incorrect advice is cause for complaint, the ultimate Green Deal provider will need to refer the customer's complaint to the relevant accreditation service on the customer's behalf. Providers should also be able to make a complaint if they identify inaccurate advice, as inaccuracies will potentially affect the accuracy of their offer or quote. If the accreditation service fails to resolve the problem then the customer and/or the Green Deal provider should be able to escalate the problem to the EO.

Green Deal providers must also have clear obligations to respond within set timescales directly to the consumer – this and other obligations relating to consumer complaints should be set out in the new Green Deal Code of Practice.

There must also be clear and robust protocols between the suppliers and Green Deal providers regarding complaints which involve billing and supply and non-supply issues, so that both aspects of the complaint are dealt with speedily and effectively. Consumers should be made aware from the outset which aspects of their complaint are being handled by the provider and which by the supplier, within set timescales.

Another source of possible confusion arises in relation to the proposed Green Deal Remote Advice Line. DECC has stated that the Remote Advice Line will provide information about obligations and protection as set out in the Green Deal Code, and will capture basic details about the problem to refer to the relevant trade certification scheme or Ombudsman. The role of the proposed Advice Line needs to be clarified, particularly if it is intended to act as a referral or signposting mechanism for complaints.

### Recommendations:

- Energy suppliers should have responsibility for acting as the first tier for consumer complaints about billing and supply aspects of the Green Deal; Green Deal providers should be the first point of contact for complaints about all other matters
- Clear obligations should be placed on Green Deal providers regarding their role in complaint handling, including liaison with energy suppliers, handling complaints about independent advice providers, timescales for responding to consumers, and signposting consumers to the EO for assistance with unresolved complaints including redress
- Green Deal providers should be responsible directly for dealing with complaints about non-billing matters; consumers should not have to contact installers, assessors and contractors themselves
- There must be clear and robust protocols between energy suppliers and Green Deal providers to cover referrals and handling of complaints that involve a number of billing and non-billing aspects of the Green Deal
- The role of the proposed Green Deal Advice Line needs to be clarified by DECC. If it is intended that the Advice Line will act as a possible referral stage for complaints, action will be needed to ensure that it forms part of a streamlined and clear system for complaint handling

### 3.1.2 Standards of complaint handling

As CCES set out in its parallel paper for Consumer Focus on *Effective Complaint Handling*, there is a substantial measure of agreement within the literature, both academic and practical, public and private sector, over the principles that characterise good complaint handling systems.

For example the key principles which British and Irish Ombudsman Association (BIOA) has identified for complaint handling schemes<sup>20</sup> are:

- clarity of purpose
- accessibility
- flexibility
- openness and transparency
- proportionality
- efficiency
- quality outcomes

In addition, BIOA emphasises the importance of identifying the reasons why complaints arose and were not settled by the organisation, and of follow-up to confirm that action has been taken, and to provide public assurance. Furthermore, independence is an important part of complaint handling and, according to BIOA, its member schemes are independent of management control from organisations within their remit. These additional principles are equally applicable elsewhere. The principles are not disputed; the key issues are how well they are implemented and interpreted.

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<sup>20</sup> *Guide to principles of good complaint handling*, The British and Irish Ombudsman Association (2007)

The new Green Deal Oversight Body, possibly with the involvement of the EO and Ofgem/consumer advocacy body<sup>21</sup>, should be charged with monitoring the effectiveness of the various complaint handling and redress processes and protocols, and given effective powers to ensure that any problems with or arising from these processes will be resolved speedily. Consideration should be given to whether specific enforcement measures are required.

#### **Recommendation:**

- The Green Deal Oversight Body and the EO should monitor the processes and protocols employed to handle complaints which involve both suppliers and Providers, and consider whether specific enforcement measures are required
- DECC, the energy regulator and the statutory consumer watchdog should be notified of systemic problems or significant risks to consumers

### **3.1.3 Leaseholders**

There are some 1.8 million leaseholders according to the Association of Residential Managing Agents. The Association maintains that leaseholders of flats are exactly the same as any other domestic customer of an energy supplier, and that the Green Deal will make no difference to this position because the consent of any leaseholder will be required for a charge on their meter for Green Deal finance. The Association therefore assumes that complaint processes for leaseholders will be the same as for tenants and freeholders.

However, one potentially problematic issue concerns complaint handling relating to any Green Deal works or measures which affect common areas (and communal heating systems), which could impact on leaseholders. According to the Association this is because these are defined by utility companies and in licensing rules as commercial supplies as they are in the name of the landlord (freeholder). The Association says it has recognised that this means there are no 'usual routes' for complaints.

Consumer Focus recognises this is a potential problem. For example, Green Deal work could be carried out for the whole building (presumably by the freeholder) and the charge added on to the communal meter (for example, the one that registers consumption for communal areas and facilities such as lighting and lifts) and charged through management or leasehold fees. In effect, part of the Green Deal payment would fall to leaseholders by way of management or service fees. It is therefore difficult to see how relevant billing, charging or payment problems could be handled under complaints processes covering the Green Deal.

A related concern is that such communal investment would not be possible in any case, as the savings on such a communal meter are unlikely to meet the Golden Rule required to finance whole-building improvements. This means that without a form of Green Deal finance to suit such properties, the barrier of high upfront cost remains. And if the freeholder does go ahead with work without Green Deal finance, it seems none of the Green Deal protections will apply even if accredited advisers and installers are used.

In addition, there appear to be unresolved issues around consent, for example if a freeholder refuses to allow a leaseholder to engage in a Green Deal arrangement on the grounds that it might/will break the terms of a lease, or if the freeholder wishes to engage in a Green Deal arrangement but one or more of the leaseholders withholds consent.

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<sup>21</sup> Energy Ombudsman has MOUs with Ofgem and Consumer Focus which require the service to notify these bodies of systemic issues arising within the industry and emerging generic issues.

### 3.1.4 Redress and enforcement

Consumers will need clear rights of redress regarding all aspects of the Green Deal. However, at present, a consumer who has an unresolved complaint about non-supply aspects of the Green Deal cannot obtain redress via the EO.

Consumers could experience detriment as a result of a variety of unresolved complaints that arise in the short or long term as a result of Green Deal measures. As well as those listed earlier, these could include poor quality installation and/or products resulting in failure to deliver promised energy and bill savings over time; damage or dampness in the home; and additional costs of repair and maintenance. Some consumers may also choose to self-finance Green Deal measures totally or partially, and it is not clear how they could or should obtain redress for works or part-work that they have financed themselves.

One option is for the remit of the EO to be extended to cover all Green Deal-related complaints, apart from those relating to financial issues which would be covered by the FOS (see below). Alternative options include some form of independent arbitration, conciliation or mediation created specifically for Green Deal complaints.

We consider that extending the remit of the EO would be preferable because this would make sense from the consumer point of view. It would be particularly useful in relation to complaints covering, for example, billing and installation matters. An Ombudsman scheme is preferable to arbitration because it is easier for consumers to access it and there is the potential to look at systemic issues. Mediation and conciliation are insufficient on their own, because they do not offer an independent decision on the disputed issue.

It should be noted that DECC is still considering whether the EO should be appointed to cover all aspects of the Green Deal and agree an MoU with the Financial Ombudsman Service.

On trading standards and enforcement matters, although providers will be required by Green Deal Code to guarantee the quality of assessment and installation, it needs to be made clear to consumers what is likely to happen if the guarantee is threatened by poor performance of other bodies, such as the certification bodies and those enforcing those standards. It is not yet known what the role of Trading Standards will be but we understand that DECC is in the process of considering their role. Local investigation will be needed but there are concerns about the extent to which local Trading Standards are equipped to deal with Green Deal-related problems as the organisations behind a single Green Deal plan may be from a range of locations. It is also necessary that adequate resource is given to this enforcement. It is not sufficient to set standards if there is no follow-up action.

#### **Recommendation:**

- Having contacted their supplier and/or Green Deal provider with a complaint, consumers should have the right to take unresolved complaints direct to the EO
- Trading Standards, or another body, must have the resources to enforce Green Deal standards across geographic boundaries

### 3.1.5 Green Deal financial aspects and redress

The fundamental issue for consumers is that they are clearly informed about which body is responsible for acting as a route for redress over particular elements of the Green Deal.

DECC has said that it is working with BIS and the FOS to ensure they can provide an effective route for redress for the financial aspects of the Green Deal. One option appears to be that the EO could cover all matters and agree a MOU with the FOS.

Whichever option is chosen, consumers will need to be informed of redress routes and be clearly signposted towards them.

If both the EO and the FOS are going to be involved, they will need to put robust processes in place to ensure effective co-ordination, particularly concerning complaints which cross over the boundaries of their remits. These bodies will also need to be able to share information on such consumer complaints.

### **Recommendations:**

- Redress arrangements for all aspects of the Green Deal should be streamlined, co-ordinated and clear to consumers and advisers
- The EO and Financial Ombudsman Service will need to develop clear protocols for co-ordination regarding complaints that go across over their remits, including sharing of information and regular reviews for ensuring there is effective co-ordination

### **Other financial aspects of the Green Deal**

Green Deal providers will need to gain a Consumer Credit Licence from the OFT before they can operate. This is because Green Deal financing is likely to count as a fixed-term credit arrangement, and therefore fall within of the Consumer Credit Act (CCA) 1974. DECC has said that Green Deal providers will therefore need to comply with guidance on offering credit responsibly, and ensure the payments are affordable for customers. It intends to publish guidance agreed with the OFT on how Green Deal providers can meet their CCA requirements.

Consequently, the following issues will need to be clarified:

- How will the consumer credit licences system be operated in future, following implementation of the Government's plans to merge the OFT's functions into the new Competition and Markets Authority (CMA)?
- What will be the status of the guidance for Green Deal providers to meet their CCA requirements?
- What rights of redress, if any, will consumers have if Green Deal providers fail to adhere to the CCA requirements?
- Will consumers be able to request and obtain a short or long term variation in their Green Deal financing deal, for example if a household's circumstances change? Will the current plan for the EO to handle complaints in this area make sense to consumers?
- Providers will have to provide statements of expected savings, based on assessment, and offer a Green Deal Plan recommended by the assessor. Will consumers be able to dispute repayment rates and length of period? Will they have rights of redress for unresolved complaints and, if so, will the FOS or EO be able to deal with them?
- What rights, if any, will consumers have to complain and seek redress if promised bill savings are not delivered in the short or long term (for example, due to poor quality measures, products which do not deliver expected/stated savings, or changes in the Green Deal interest rate)?

## 3.2 Microgeneration and FiTs

If consumers have complaints about microgeneration products and services, they first need to approach the relevant installer. At present, if the complaint is unresolved, and it concerns technical aspects of the installation of a small-scale renewable generating system, consumers can then approach the relevant Microgeneration Certification Scheme (MCS) certification body.<sup>22</sup> MCS focuses on certifying microgeneration products and their installation, underpinned by an OFT consumer code.

However, if an unresolved complaint is about non-technical aspects (standards of service or other contractual aspects), consumers can approach the Renewable Energy Assurance Limited (REAL) scheme if the company involved is a member.<sup>23</sup> Its members are firms selling or leasing small-scale renewable or low carbon heat or power generation unit which have agreed to comply with the REAL Assurance Scheme Consumer Code. This Code is also backed by the OFT Consumer Codes Approval Scheme, and links closely to the MCS installer and product certification scheme. MCS requires its members to be a member of REAL Assurance if they sign contracts with consumers. The REAL Assurance Scheme can withdraw a company's membership and therefore stop them from trading under the MCS.

At present, if the complaint remains unresolved, there are independent conciliation procedures available. If the conciliator's advice is not acceptable, either side has the right to ask the REAL Assurance Scheme for the matter to be referred to an independent arbitration service. If a dispute is referred to the independent arbitrator, both pay an initial fee equivalent to the County Court Fee, refundable to the consumer if the independent arbitrator finds in their favour, or recommends this. Any further costs are divided between the consumer and the company involved (for example, if an independent expert's report is required). Awards made under the arbitration service are binding on the consumer and the scheme member.

In its response to DECC's consultation on the microgeneration strategy, the REAL Assurance Scheme observed that:

*'Currently the system for dealing with consumer complaints is complex and opaque for consumers. MCS installer certification bodies are required to resolve complaints about the technical aspects of an installation, while the REAL Assurance Scheme resolves pre-contractual or contractual complaints. Often the distinction between the two is very unclear. Complaints can be referred to us by agencies such as EST, Consumer Direct, Trading Standards and Consumer Focus. This results in the consumer being passed from one organisation to another, and often back again.'*<sup>24</sup>

It added that there is too little consistency between the certification bodies in their complaint-handling, and response times can be long.

As a result, the Scheme has been urging the Government for some years to establish a one-stop shop for microgeneration complaints. This would consist of a central help desk with a database for consumers' complaints, which would then identify the bodies required to investigate the complaints. In addition, complaints statistics could be collected and analysed.

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<sup>22</sup> MCS is the industry-led, Government endorsed scheme for certifying low and zero carbon micro generation products and the installation companies who fit them. MCS is operated under licence from DECC by Gemserve Ltd, and it is due to be re-established as a free-standing not-for-profit company.

<sup>23</sup> The Scheme is a wholly-owned subsidiary company of the Renewable Energy Association.

<sup>24</sup> *Response to Consultation on the Microgeneration Strategy*, Renewable Energy Assurance Ltd (2011)

In its micro-generation strategy, DECC stated recently that it will clarify the complaints procedures for consumers who are not satisfied with MCS process and establish a single point of contact for initial queries.

The redress route for unresolved consumer complaints about microgeneration is different from other redress arrangements in energy, notably where consumers are able to take such complaints to the EO. From the consumer standpoint, it would be preferable to have a simplified and comprehensive framework, which provides access to an Ombudsman scheme rather than having to deal with certification schemes and potentially other stages involving conciliation and arbitration.

Note that the EO already deals with some issues relating to FiTs (see below). As the Government's objective is to see the microgeneration sector move into the energy mainstream, and as microgeneration is likely to form part of the Green Deal assessment, this reinforces the need for a streamlined and easily comprehensible and accessible redress route.

### **Recommendation:**

- The remit of the EO should include unresolved consumer complaints relating to microgeneration matters
- The single point of contact for initial queries for microgeneration customers should be the same as for customers of other energy services eg the general energy advice line
- A Government agency, preferably the new CMA or perhaps the new Green Deal Oversight body, should retain responsibility for overseeing the quality of the REAL Assurance Scheme's Code of Practice

FiTs form another part of the Government's microgeneration strategy in England, and provide financial incentives for small-scale electricity. Complaints against a FIT Licensee should be directed towards the FIT Licensee in the first instance. All FIT Licensees have a duty to participate in the complaints process in relation to compliance with their obligation under the FIT scheme. If after 12 weeks a satisfactory solution has not been agreed between both parties, the complaint may then be referred to the EO.

Again the question that arises about what will happen to the OFT's Consumer Codes Approval Scheme (CCAS) in future. This issue arises because, under the Government's proposals to create a single Competition and Markets Authority, the OFT will be merged into the new body which will have a principal focus on competition and markets. At present, the Government does not foresee a continuing role in consumer codes approval for the CMA. However, this would mean the REAL Assurance scheme would lose the Government backing that has proved vital in engaging the industry – which recognise the OFT as a force to be reckoned with.

### **3.3 Smart metering and IHDs**

The impending roll-out of smart metering is another potential source of complexity for consumers and it also involves energy supply and non-supply issues. Complaints could include one or more problems, for example, poor quality installation or faults with smart meters and IHDs; remote disconnection, load limiting, or consumers being switched to PPMs inappropriately. Complaints may well also arise because of sales activities during meter installation, or as a result of consumers being placed on new inappropriate tariffs, for example.

Complaints and redress processes, along with other issues relating to the roll-out of smart meters, are currently under discussion, and our comments reflect what we understand to be DECC's current position.

### 3.3.1 Responsibility for complaint handling

Complaints processes will need to cover all elements of smart metering including IHDs. DECC has indicated that it expects that existing regulations on complaint handling for energy suppliers will cover IHDs, as well as other elements of the smart metering system.<sup>25</sup> However, it will be important to ensure that complaints about smart metering are recorded properly by suppliers and included in their reporting of complaints.

Moreover, consumers will need to have clear information about the responsibilities of suppliers to deal with complaints about smart metering, including IHDs. The energy suppliers' frontline staff and their complaint handling staff should be trained and up-to-date in their understanding and interpretation of the suppliers' complaint handling responsibilities in this regard. Similarly, the ERA's *Smart Metering Installation Code of Practice*, which includes procedures for resolving complaints, will need to make it clear that these cover IHDs as well.

If there is a fault with smart metering post-installation, consumers will also need to be clearly informed that they can expect the energy supplier to handle such complaints, including those that arise in connection with work carried out by a sub-contractor.

However, concerns remain about complaints that could arise in relation to IHDs. At present, if there is a fault with an IHD after a year of installation, it appears that the only route for consumers would be through Trading Standards. This is not satisfactory. IHDs are an integral part of the smart metering programme (although we understand that consumers may be able to choose not to have one). In this context it is not acceptable for consumers to have to identify the cause of the fault, which organisation is responsible (for example, their supplier or the IHD manufacturer or other organisation), and whether they have routes for complaints and redress. Also IHDs may well include a pre-pay function and consumers could suffer considerable detriment if a fault occurs with an IHD. The effects are likely to be especially serious for consumers in vulnerable circumstances.

In addition, it appears that ownership of IHDs will be left to suppliers to decide: they could belong to the companies or their customers. If this state of affairs continues, it is likely to exacerbate matters in relation to complaints about IHDs.

#### Recommendations:

- DECC should make it clear that the energy suppliers' obligations for complaint handling include responsibility for dealing with complaints around IHDs
- Energy suppliers should remain responsible for complaints about IHDs after a year following installation. Suppliers should have an ongoing responsibility to sort out faults arising because of problems with installation, product manufacture or communications systems

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<sup>25</sup> *The Gas and Electricity (Consumer Complaints handling Standards) Regulations 2008.*

### 3.3.2 Redress

We understand that the remit of the EO will include unresolved complaints relating to IHDs, as well as smart meters, provided they involve billing-related issues. The question remains as to whether and how consumers will be able to pursue unresolved complaints and seek redress about other matters, such as where IHDs are sited or the quality of appropriateness of the information displayed.

In addition, the protection for consumers around sales activities and marketing may need to be updated to ensure that they are sufficiently robust and provide an effective form of redress for consumers. This is particularly important as there is likely to be increased bundling of energy supply, services, and products in future, including those associated with smart metering.

#### Recommendations:

- The remit of the EO should cover all complaints relating to IHDs
- Sales and marketing protection arrangements for consumers should be reviewed by Ofgem and the OFT to ensure that they are sufficiently robust and take account of smart metering and other developments in the energy sector, including bundling of services, supply and products. These arrangements should include redress for consumers

Consumers will also need to know how to pursue complaints if they consider that their rights to data protection have been abused. As stated earlier, it was not possible to explore data protection issues in this study. However, Consumer Focus has highlighted elsewhere a series of key issues that need to be addressed in this respect in future consumer protection arrangements pertaining to smart metering.<sup>26</sup>

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<sup>26</sup> *Consumer Focus response to Smart Metering Implementation Programme: Data privacy and security*, Consumer Focus (2010)

## 4. What needs to happen: future proofing the system

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As we have highlighted in this paper, there are a substantial number of areas of actual or potential consumer concern arising from the developments taking place in the sector and from the Government's current proposals on future arrangements for advice provision, complaint handling and redress. At the time of writing, consultations and discussions were ongoing, and the proposals made here are intended to help ensure that consumers' needs are fully taken into account and addressed in the setting up of future arrangements for the sector.

### 4.1 Future proofing advice arrangements

#### A comprehensive advice service

Given the changes taking place, and the frequently overlapping nature of these developments, consumers are likely to need advice about a range of possibly interlocking and overlapping issues, including energy supply and energy services. It will be essential for consumers to have the ability to access a truly comprehensive advice service which covers all aspects of their problem.

#### An integrated advice service

If specific advice services are planned, such as the proposed Green Deal Advice Line, they will need to form part of a properly integrated system of advice provision. Consumers should not be expected to contact disparate services which only deal with discrete aspects of the energy sector.

A comprehensive advice service provided at national level should also act as a key resource for a wide range of advice-giving bodies, including those at regional and local levels, such as voluntary organisations and local advice agencies.

#### A trusted and expert advice service

Future advice provision must be completely separate from, and independent of, the industry, particularly in the context of well-evidenced consumer distrust of energy suppliers.

Future advice arrangements will also need to have the necessary capacity, capability and expertise to meet the spectrum of consumer advice needs in the energy sector in the coming years.

#### An accessible advice service

Future advice provision must be designed and operated in ways that enable all consumers to access the advice they need in ways that meet their requirements, particularly those of consumers in vulnerable circumstances. It should not consist solely of a website, nor should it involve costly telephone charges.

### 4.1.1 Responsibility for energy advice provision

At present, there is a wide range of bodies involved in providing information and advice to consumers on energy-related matters, at national, regional and local levels. However, major changes are due to take place over the next couple of years and it is, at present, unclear which existing agencies and services are likely to be in a position to provide advice on the consumer issues associated with these and other developments in the sector.

Existing advice and information services which are involved in the energy sector at national level currently include the following but, as we note, a number of these are due to close or their future functions, remits or capacities are uncertain.

**The Consumer Focus Extra Help Unit (EHU)** currently provides second tier support specifically to vulnerable consumers who have unresolved energy complaints – this is due to close and be run in some form by the Citizens Advice Service.

**Consumer Focus** has advice and information for consumers on energy issues on its website and runs a free ‘advise the adviser’ service online, by phone and email communications to help energy advisers keep up-to-date in a changing environment and offer detailed advice to advisers on individual cases to avoid the need for disruptive referrals. It sponsors and attends regional forums to speak directly with energy advisers, particularly those who are helping people in fuel poverty. It also polices switching sites through its Confidence Code. It too is due to close and these functions may be taken over in some way by the Citizens Advice service.

**Consumer Direct** currently provides first tier website and phone information and advice on energy issues (among other consumer issues), including advice on how to complain; it can also make referrals to the EHU. However, there are concerns about consumer awareness of the Consumer Direct service, especially as it no longer has its own dedicated website (it has been moved to the direct.gov website) and its opening hours were reduced in April this year. Consumer Direct is due to close and its functions are due to be taken over in some way by Citizens Advice.

**Citizens Advice**<sup>27</sup> is in the process of developing a national phone service for all consumer issues, it has website information on energy, and CABx give advice locally. Under current government plans, the Citizens Advice Service is due to take on the energy-related and some other functions of Consumer Focus, as well as the functions of Consumer Direct.

**The Energy Saving Trust (EST)** gives advice on energy efficiency related matters. It operates nationally and regionally; EST has independent teams in Scotland, Wales and Northern Ireland. It was announced in May 2011 that the EST is to become a social enterprise and will seek charitable status.

**The Energy Retail Association (ERA) funded Home Heat Helpline** provides advice for those having problems managing their bills. We are not clear whether this service is intended to continue in the long-term.

**The Energymadeclear website**, currently run by Consumer Direct and ERA, provides information on a range of issues, including payment methods and social tariffs. We are not clear how long this service is intended to continue.

**The Centre for Sustainable Energy** provides general information leaflets eg on insulation, central heating controls, etc. But it does not have a helpline or provide advice about taking forward complaints.

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<sup>27</sup> Citizens Advice Scotland already runs a telephone service covering Scotland.

**Voluntary organisations:** there is a range of national voluntary organisations, such as MacMillan Cancer Support, Gingerbread (lone parents), and Age UK, which run advice lines which may be able to provide some energy advice.

**Energy suppliers:** the major energy suppliers run a variety of energy efficiency advice and benefit checks through 'industry initiatives'. Some also fund local advice agencies, and fund or run specific schemes in partnership with charities and other organisations often at local level.

As we outline above, under current proposals, the Government intends to integrate existing publicly-supported sources provided face-to-face (Citizens Advice Bureaux and Trading Standards), by telephone (Consumer Direct, the Citizens Advice service and sometimes Trading Standards) and online (direct.gov, OFT, Consumer Direct, the Citizens Advice Service, BIS, Consumer Focus and Trading Standards) into a single public offering delivered primarily through the Citizens Advice service. In addition, in relation to the energy sector, some specific advice lines or websites are being planned, for example, the proposed Green Deal Advice Line or the smart metering roll out advice line.

Assuming that the Government's proposals for changes in consumer advice and advocacy go ahead as proposed, it would be logical for the Citizens Advice service to have the task of providing a dedicated and comprehensive source of advice for consumers at national and local levels across the spectrum of energy issues in future. However, to perform this vital role effectively, the Citizens Advice Service (or any other organisation tasked with this role) must have the necessary resources and expertise.

The organisation will need to link into and work closely with other independent advice agencies and voluntary organisations who are involved in energy issues at local and national levels, as well as with any publicly-run advice provision (such as the proposed Green Deal Advice Line or smart metering roll out advice line).

The organisation will also need the ability to obtain necessary information from all relevant organisations in order to fulfil its responsibilities to consumers. These will include a wide range of bodies, not only energy suppliers, the regulator, ombudsman services and Trading Standards but also other organisations such as the Green Deal Oversight body, the Green Deal Advice Line, and a range of accreditation bodies and certification schemes.

Whichever organisation is tasked with this role, the aim must be to ensure that there are no 'stranded consumers' left without access to expert and independent advice on any and all aspects of the energy sector.

## 4.2 Complaint handling and redress: consumer concerns and requirements

When things go wrong, consumers need problems to be resolved as speedily as possible, with recourse to accessible and effective complaints handling and redress processes. Consumers do not want the process of sorting out a complaint to be a problem in itself and make matters worse. Complaints also provide essential data for industry and regulators to identify systemic failures and drive improvements.

Such a system must include at least two levels: a company level – or internal – system, and a means of redress which is external to and independent of the company (see further discussion in our parallel report '*Effective Complaint Handling*').

Given all that is happening in the energy sector, it is crucial that complaint handling and redress arrangements are capable of providing consumers with accessible, effective and comprehensive means of raising and resolving complaints and obtaining redress.

### 4.2.1 Gaps and inconsistencies

From the consumer standpoint, there is already a great deal of unevenness in existing redress arrangements in this sector.

In particular, the right to approach the EO with unresolved complaints currently applies only to matters relating to energy supply and distribution issues, not energy products and services. For example, one current gap in the provision of redress concerns microgeneration products and services where there is no redress route to an ombudsman service.

In future, there is a distinct danger that other gaps and inconsistencies will arise in relation to a number of aspects of the Green Deal. In particular, it appears that consumers will be required to approach yet another organisation if they have unresolved complaints about assessors/advisers. Having first approached the Green Deal provider, they will have to take unresolved complaints to the relevant certification body instead of being able to approach the EO. And it is currently unclear whether there will be any right to approach the EO regarding unresolved complaints about Green Deal assessors.

It also seems that there may not be a route to redress for consumers who decide to fund Green Deal measures through an alternative finance route such as savings or remortgaging – even if they have Green Deal accredited products installed by Green Deal accredited installers as a result of Green Deal accredited advice. This means that the Green Deal accreditation badge will be cause for confusion and complaints, as consumers will feel misled if there is no route to redress if things go wrong.

Similarly, there appears to be another gap arising in future redress arrangements for consumers if they have unresolved complaints about IHDs provided with smart meters: it is not clear what aspects of IHD problems are likely to be dealt with by the EO under current proposals.

### 4.2.2 Future proofing complaint handling and redress

#### Clear to consumers

Energy bills will increasingly have a mass of information on them: supply charges, FIT income, and Green Deal charges, with much of the data reliant on the accuracy of smart meters. If consumers have a problem with their bill, they will want the bill to have a contact number or website where they can make their enquiry or complaint. Bills are already too complex without contact details for each service; instead consumers need a one-stop shop for enquiries and complaints regarding energy services.

#### A comprehensive and simplified framework

Complaint handling and redress systems should offer consumers comprehensive processes which are able to meet their needs in full.

In particular, artificial divisions in redress arrangements need to be tackled. The logical way to do this is to bring together redress arrangements for complaints about energy billing and supply with complaints about energy products and services under an Ombudsman service, such as the EO.

It would also be logical to enable consumers who have unresolved complaints about microgeneration matters to approach the EO, rather than having to go through tiers of processes including possible arbitration, as is presently the case.

Similarly if consumers have unresolved complaints about IHDs provided with their smart meters or sold by their suppliers, they should also be able to access the EO.

## **Meeting the needs of vulnerable consumers**

The developments taking place involve a range of implications and risks for consumers in vulnerable circumstances. There is also increased potential for complex complaints which consumers may not be able to pursue themselves. It will be imperative that the second tier complaints service currently provided by Consumer Focus's Extra Help Unit continues to be available in future, and is able to deal with the spectrum of possible consumer problems, including matters relating to energy supply and energy services.

## **Streamlined and simple escalation processes**

It is increasingly likely that many consumer complaints will cut across a number of different energy issues. Future arrangements will need to be able to deal with such complaints without requiring consumers to approach a number of different organisations, such as certification bodies, to get complaints resolved and obtain redress.

The energy sector is going to become even more complicated and consumers should not be expected to negotiate their way through layers of complex and potentially confusing processes when things go wrong.

## **An integrated system**

All bodies involved in future complaint handling and redress arrangements must have clear protocols and systems for referrals of consumer complaints with set timescales, and for signposting consumers to the relevant organisation.

There will also need to be robust systems for notification and alerts by Ombudsman services to relevant organisations, such as certification bodies, if problems emerge regarding member companies. All ombudsman services that are likely to be involved in the energy sector in future, notably the EO and FOS, will need to have clear processes for dealing with complaints that go across their areas of responsibility.

## **Accessible and affordable complaint handling and redress**

Future arrangements must be designed to deliver easily accessible processes and systems that are free to access and avoid imposing costly charges on consumers, such as expensive telephone costs. The aim should be to provide services which meet the range of consumer needs.

## **Quality assurance**

All bodies involved should adopt and adhere to commonly-accepted principles of good complaint handling, and have robust quality assurance mechanisms. This needs to be accompanied by effective monitoring, supervision and compliance arrangements.

The systems should also be designed so that complaints data are properly recorded and reported, for the sake of individual consumers and to enable systemic problems to be identified.



## **Making the connection**

Report produced by Centre for Consumers and Essential Service, University of Leicester

The Centre for Consumer and Essential Services (CCES) combines legal and social policy expertise to explore the effects for consumers of regulation and provision of essential services. CCES provides research and consultancy, and its current focus includes the energy, communications, health, social care, financial services, legal services, and water sectors. Because of the importance of these services, the Centre is particularly concerned to highlight the problems faced by people in a wide range of vulnerable situations. CCES is based in the School of Law at the University of Leicester; for more information, see <http://www.le.ac.uk/law/cces/index.html>

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