Ofgem Call for Input

Engaging domestic consumers in energy flexibility

29th September 2023

CSE is a charity supporting people and organisations across the UK to tackle the climate emergency and end the suffering caused by cold homes. Our research and analysis focus on making the energy system greener, smarter and fairer. Through our advice line, home visits and one to one support, we support around 15,000 people a year to reduce their bills and make their homes more energy efficient.

CSE champions social inclusion and fairness in the UK's energy transition and has been leading the pioneering Smart & Fair programme since 2019. Our energy system needs to become smarter and more flexible but getting there requires significant and disruptive change. This change brings new ways to generate unfairness by altering the distribution of system costs and benefits between consumers. It threatens to leave behind large numbers of people as new complexities or costs exclude them from being able to participate meaningfully in our future energy system. Through our Smart & Fair Programme we have been working with industry partners on projects that identify and mitigate the emerging inequalities in flexibility markets.

As well as our advice work and our broader engagement across the sector, we have drawn on the following work in preparing this recommendation:

- Smart & Fair research phase one and two (funded by Scottish and Southern Electricity Networks (SSEN) & National Grid Electricity Distribution (NGED))
- The evaluation of consumer engagement with the Electricity System Operator's Demand Flexibility Service 2022-23 (134 diaries, 23,717 survey responses, 10 in-depth interviews),
- HOMEflex consumer research (four focus groups with consumers from different segments including those with low ability to engage with DSR)
- Our role in the industry working group designing the HOMEflex Code of Conduct (led by SSEN and the ADE)
- A range of other Strategic Innovation Fund and Network Innovation Allowance projects including the NGED Smart Energy Action Plans Pilot, UK Power Network's (UKPN) Socially Green phase three, UKPN's Guidelight (exploring grant funded retrofit and low-carbon technology optimisation), and research on the advice sector for our Energy Choices Tool, funded by the Energy Redress Fund.

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Summary of recommendations

Our response and recommendations are based around:

- Increasing consumer trust in the energy market
- Reducing inequality of participation
- Assessing the distributional impacts of the changing energy system[1].

For Demand Side Response (DSR) to succeed, consumer trust needs to increase. Otherwise, it will be impossible to drive the necessary consumer engagement. Our first two recommendations are centred on this:

1. **Establish common standards of practice and communication around domestic demand side response that are designed for the customer** and used by industry, regulators and advice providers. This work has already begun through development of the HOMEflex Code of Conduct which sets out clear requirements around communicating with customers[2]. The proposed regulatory regime for service providers and products must build on the work already done by industry and other key stakeholders in the development of the HOMEflex Code.

2. To build consumer trust and address some of the complexity of the emerging changes in the energy system, we must **scale up the provision of smart energy advice.** Through reliable market wide information and tailored advice and support for those who are least able to cope with any negative impacts. This will require investment in advice organisations.

There is a significant risk that a two-tier energy system will emerge through rewarding demand side response: one that works well for those with the time, space and financial resources to optimise their energy use, while penalising those with minimal usage and low flexibility. Fairness will not reliably emerge from the market without deliberate and purposeful action by policy-makers and regulators to secure it. This will require:

3. Ofgem to **require that providers design services inclusively** with regard to the needs and limitations of customers in vulnerable circumstances[3]. Ofgem to **monitor the range of consumer segments** that can access and benefit from both asset-based and household proposition approaches, and to **act on any emerging gaps** in the market where some consumer segments have no routes into DSR, but suffer penalties.

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[1] Some consultation questions that are less relevant to these outcomes or have been addressed in other responses have not been answered (Q1 and Q4)

[2] *HOMEflex Code of Conduct* V1, June 2023. Accessed via www.flexassure.org/images/HOMEflex_Code_of_Conduct_.pdf

[3] Ibid. section 5.3

4. Building on Ofgem's work around vulnerability strategies already implemented with network companies, Ofgem must **ensure flexibility service providers have clear direction and guidance on how to identify vulnerable consumers and measure their uptake of services.**

5. **Provide a framework for street and community scale DSR offers and enable trusted local intermediaries to develop energy projects and DSR services.** Support community energy groups / non-profits to act as trusted messengers with vulnerable consumers. Facilitate partnerships and collaborations with flexibility providers.

The new complexities or costs resulting from the interventions discussed in this consultation threaten to exclude large numbers of people from being able to participate meaningfully in our future energy system. It's therefore imperative that we see:

6. **Commitment to assessing the distributional impacts of the changing energy system** from Ofgem, the Future System Operator and the government. By demonstrating fairness in the design of policy we can increase trust in the energy system.

Question responses

Q2 Do you think consumers and the system will have greater benefits if DSR is provided as a household proposition or as a service through individual assets (EVs, Heat Pumps)?

a) Household proposition vs individual asset-based approach

Both routes have benefits and risks for both households and the system.

Asset-based approach

- From a system perspective, the primary benefit of an asset-based approach is more confidence in the volume of flexibility that is delivered. This comes from an aggregator having direct control over domestic loads, with visibility of which assets can be deployed within a flex window. These assets are likely to be high demand and therefore the ones that need to be managed effectively to keep the system in balance and make use of renewables.
- From a household perspective, the primary benefit of an asset-based approach is that it offers a simpler journey to engage in flexibility. As outlined in the consultation document, participating in asset-based flexibility could require as little as a household not changing default settings, all the way through to opting into an automated DSR service that generates value via the retail and flexibility markets.
- However, there are serious concerns about the inequalities this asset-based approach will build into the future energy system, as innovators target their services on affluent and highly engaged consumer segments and find it hard to engage with more vulnerable or lower income households[4]. The delay in producing Economy 7 smart meters indicates a lack of interest from the energy industry to innovate around services associated with lower income households, despite those households already engaging in flexibility through assets such as night storage heaters.

Household proposition routes offer different opportunities and challenges:

- From a system perspective the primary benefit of taking a household proposition approach is the opportunity to build broad understanding and acceptance of the changing energy system. This has been recently illustrated by the ESO's Demand Flexibility Service (DFS) in which 1.6 million households and businesses participated[5]. The DFS had very low barriers to participation; a functioning smart meter was the only requirement. By providing opportunities to households to test out how such propositions work for them, the DFS could be creating a foundation of understanding and experience today which can help with longer term acceptance of the future system and it's need for flexibility. An opinion poll undertaken as part of CSE's evaluation of the DFS showed that 38% of people had heard of one or more DFS offers (amongst a nationally representative sample of the general population). Of DFS

[4] *Socially Green Phase 3 market research*, CSE, Not yet published
[5] *Demand Flexibility Service Winter 2022/23 review*, ESO (2023). Accessed via www.nationalgrideso.com/document/287006/download

evaluation survey respondents 62% were happy with their experience and over 80% said they would participate again.

- However, our research found that 41% of households opted in to three or fewer shifting events[6]. Many households were happy with this 'low effort, low reward' approach but the perceived imbalance between effort and reward was raised by some who felt they had done a lot to shift their usage – or endured some hardship, like sitting in the cold and dark – and the reward received didn't reflect this, it wasn't 'worth it'.
- Therefore, for household propositions to generate system value in terms of high volumes of flexibility actually delivered, and high levels of acceptance of the need for flexibility, these propositions need to be supported by improved advice about what and how to shift, and how individual effort relates to broader system impacts.
- From a household perspective, household propositions offer the opportunity for more bespoke solutions. The DFS evaluation shows that there is enthusiasm for participation in DSR. Some respondents expressed an interest in other smart products or services to aid their participation in DFS, or for other flexibility services that may be more appropriate. For example, households requesting longer notice periods or shifting events at different times may find a static time of use tariff more suitable. Households who can significantly increase their demand could be better suited to a 'turn up' a service.
- However, the findings show that even a 'low barrier' household proposition worked better for some households over others and that, although a variety of groups were able to participate in the DFS, it should not be assumed that benefits were equally distributed. Households with health conditions and households struggling financially reported less positive experiences and outcomes.

Across both household and asset-based approaches there is a significant risk that a two-tier energy system will emerge through rewarding demand side response: one that works well for those with the time, space and financial resources to optimise their energy use, while penalising those with low usage.

Consumers must be offered appropriate DSR services which suit their energy needs, on a timely basis. CSE has developed the Smart & Fair capabilities lens which details the capabilities, characteristics and attributes of consumers needed to 'keep up' in a smarter system. These range from financial status and digital connectivity, to housing characteristics, energy demand patterns and potential for flexibility and demand reduction, and a host of personal and social factors, including attitudes to innovation and risk. A smart energy capabilities approach offers a route to assess household suitability and DSR service inclusivity which should ensure household and system benefits align.

Recommendation: A range of different DSR products and services are needed and providers must take into account client capabilities in service design. **Ofgem must require providers design services**

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[6] *Household Engagement with the Demand Flexibility Service 2022-23*, ESO, July 2023. Accessed via www.nationalgrideso.com/document/282981/download

inclusively with regard to the needs and limitations of customers in vulnerable circumstances[7]. The range of consumer segments that can access and benefit from both asset-based and household proposition approaches needs to be monitored, and any emerging gaps in the market where some consumer segments have no routes into DSR need to be acted on.

b) Alternative approaches – street and neighbourhood scale offers

Both routes as laid out in the document focus on individual households. This will reinforce existing inequalities as richer households will have more assets and therefore will be able generate more value through implicit and explicit DSR. Shifting to street or community scale, rather than individual scale will help mitigate some of the inequalities mentioned above. Research has shown that community assets widen access to flex markets and spread the benefits[8]. This is particularly important in an urban context where households are less likely to have the space to install their own low carbon or smart technologies. This type of approach is already being explored in various innovation projects:

- Communal rooftop PV or communal batteries that do not require the householder to own and/or control the system. For example, a battery managed by a housing association or building owner in partnership with a flexibility service provider[9].
- 'Turn up' solutions that make use of excess energy on the grid may be more appropriate than turn down solutions for customers who've switched off due to poverty. Automation of electric heating or hot water in this context may work best in social housing where the housing provider can act as an intermediary, supporting households who may not have the technical/digital confidence to engage in flexibility by themselves. This model is being piloted by EnergyCloud Ireland[10] in partnership with local housing providers.
- The focus on individual assets may have the unintended consequence of reducing the effectiveness of other climate policy. For example, to reach transport climate targets the UK needs to achieve a modal shift in transport and a reduction in demand for car travel[11]. Community owned electric car clubs and charging points (such as the Tisbury Car club piloted by Nadder Community Energy[12]) will help to address this in a way that individually owned smart EV chargers will not.
- CSE's Future Energy Landscape project has shown that if renewable energy deployment is to be increased it is vital to support community energy projects in coming forward. Ambitious, innovative community energy projects spring up where there are local support networks. In

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[7] *HOMEflex Code of Conduct* V1, June 2023. Accessed via www.flexassure.org/images/HOMEflex_Code_of_Conduct_.pdf

[8] *Urban Energy Club Final Report*, UKPN (2022). Accessed via https://innovation.ukpowernetworks.co.uk/wp-content/uploads/2022/05/Final-Draft-UEC-NIA-report-01Apr2022.pdf

[9] See the Urban Energy Club project (report cited above)

[10] www.energycloud.org/

[11] *The Sixth Carbon Budget, Surface Transport,* Climate Change Committee (2020). p.5. Accessed via: www.theccc.org.uk/wp-content/uploads/2020/12/Sector-summary-Surface-transport.pdf

[12] See the Tisbury Electric Car Club https://www.tisburyelectriccarclub.com/ and Nadder Community Energy https://nadderce.org.uk/

Bristol where the Ambition Energy wind turbine was developed, Bristol Energy Network provided ready access to a range of experts they could call on to support their project, and in the early stages CSE gave them free planning support. However, around the country these sort of support networks do not always exist.

Recommendation: Ofgem should recognise that local intermediaries can have higher climate change ambitions and stronger social inclusion drivers in comparison to the service providers and energy suppliers which are listed in the consultation document. Ofgem should **provide a framework for street and community scale DSR offers and enable trusted local intermediaries to develop their own energy projects and DSR services.** Supporting community energy groups / non-profits to act as trusted messengers with vulnerable consumers, and facilitating partnerships and collaborations with flexibility providers can widen access to DSR.

Q3 How do you envision consumer relationships and engagement will change through the introduction of DSR?

Ofgem and Citizen's Advice's regular survey to monitor domestic consumers' perceptions about the quality of service delivered by energy suppliers shows that consumer satisfaction remains near its lowest level since tracking began in 2018[13]. Our advice work, plus the work Ofgem has done as part of the Consumer Standards consultation, has shown that trust in the market is also at a low. For DSR to succeed, consumer trust needs to increase, otherwise it will be challenging to drive the necessary consumer engagement. Improved energy supplier behaviour and accessible and impartial energy advice for consumers will be key to achieving this.

CSE delivered a pilot of Smart Energy Action Plans (SEAPs) for National Grid Electricity Distribution (NGED). The wider project aims to 'offer 1.2 million PSR customers a bespoke smart energy action plan every two years which provides customers with knowledge and tools to enable them to participate in, and benefit from, the energy system transition'[14]. The pilot project led by CSE has made clear that a deep understanding of the changing energy system and the different technologies available will be needed from advice providers. From smaller and low-cost products such as timer plugs to larger investments such as batteries and air source heat pumps, as well as niche services such as optimisation platforms. This knowledge also needs to go beyond key features of each product or service, to include how appropriate they are for the specific circumstances, priorities and needs of vulnerable customers.

Smart energy action plan advice does not sit neatly within the traditional scope of energy efficiency advice. It goes beyond the typical remit of "smart energy" advice, which in the past would have focused on smart meters and being aware of your energy usage. Giving incorrect advice can lead to

[13] *Consumer perceptions of the Energy Market Q4 report*, Ofgem (2022). Accessed via www.ofgem.gov.uk/publications/consumer-perceptions-energy-market-q4-2022
[14] *Our Business Plan 2023 – 2028 Final Submission,* NGED (2021). Accessed via https://yourpowerfuture.nationalgrid.co.uk/downloads-view/42120.

significant financial risk for vulnerable customers, and it can lead to disengagement from the transition to a greener, smarter energy system[15].

Recommendation: Scale up the delivery of in-depth smart energy advice. Through reliable market wide information and tailored advice and support for those who are least able to cope with any negative impacts. This will require investment in training advice organisations on smart products and renewable technologies. This could be done through training developed in-house by those organisations, or through a combination of external training courses. Advice organisations would also need to regularly refresh their training as this is a rapidly evolving market.

Within smart energy offers themselves communication is key to rewarding participation. In CSE's evaluation of the DFS, the need for better information was a common theme raised by participants. Respondents wanted more advice on shifting usage, and more information about results and the impact of their participation on the electricity system. Tailored communication for specific diverse households may also help to improve outcomes. For example, evidence from households with health conditions suggested that they could benefit from some safety information around not turning off essential heating, lighting or medical equipment, or best practice tips for using smart home energy products to aid consumers with limited mobility to manage their energy use flexibly. The HOMEflex Code of Conduct provides a basis for regulating this point, requiring service providers to ensure that information, services and/or tools are in place to enable each customer to easily understand and select appropriate energy flexibility opportunities within its offering, taking into account the customer's characteristics and/or preferences[16].

Recommendation: Establish common standards of practice and communication around domestic demand side response that are designed for the customer and used by industry, regulators and advice providers. This work has already begun through development of the HOMEflex Code of Conduct which sets out clear requirements around communicating with customers[17]. The proposed regulatory regime for service providers and products must build on the work already done by industry and other key stakeholders in the development of the HOMEflex Code.

Q5 What will the primary motivators be that will encourage consumers to engage with DSR? Do you think these motivators will differ depending on consumer group?

We have learned from the customer evaluation of the DFS that financial rewards are not the only driver for people to participate in demand side response. Over half of survey respondents (51%) received rewards of less than £5, but satisfaction with the amount of reward received was relatively high (44% agreed that the rewards they received were satisfactory and only 24% disagreed). The majority of participants surveyed (83%) said they would take part again[18]. The sense of satisfaction

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[15] CSE internal report to NGED on Smart Energy Action Plans

[16] *HOMEflex Code of Conduct* V1, June 2023. Accessed via www.flexassure.org/images/HOMEflex_Code_of_Conduct_.pdf

[17] Ibid.

[18] *Household Engagement with the Demand Flexibility Service 2022-23*, ESO (2023). Accessed via www.nationalgrideso.com/document/282981/download

from 'managing the challenge' and 'being part of a national collective effort' were both popular motivations for taking part in the DFS. However, this raises a question on the extent that these motivations will be replicated in future DSR if participation depends on a sense of novelty, or an external crisis that benefits from collective action.

During CSE's research on consumer perceptions for the HOMEflex Code of Conduct, some focus group participants questioned the basic premise of targeting individual consumer flexibility, and pointed to a wider need to reduce demand, improve the energy efficiency of homes and look at collective strategies to manage energy[19]. This suggests a need to better communicate the environmental and societal gains that stem from a more flexible energy system, as well as consider street and community scale offers.

Q6 To what extent should the system wide benefits provided by DSR be shared amongst all consumers, even those who are less engaged or do not participate in DSR at all?

Low income or vulnerable households who cannot participate in DSR as a result of their household circumstances should share in the system wide benefits that are created, particularly because those households with a much lower impact on the grid still contribute financially to the system costs created through high consumption of other users.

The DFS raised awareness about demand shifting but has also prompted questions about the fairness of rewarding those with high consumption or encouraging participation from those with low consumption. This indicates an opportunity for wider debate about why flexibility is required for the low carbon transition and to improve energy security. This debate should include an open discussion of the fairness of using incentives and penalties to manage peak load and increase domestic flexibility.

Since 2013 the Government's interest in the distributional impacts of policy changes has declined. This reflected relatively limited innovation in the policy space of the time, with grant or supplier funding for measures dominating domestic interventions. In contrast, the types of intervention discussed in this consultation will change the distribution of system costs and benefits between consumers. It threatens to leave behind large numbers of people as new complexities or costs exclude them from being able to participate meaningfully. It's therefore imperative that the distributional impacts of the changing energy system are assessed and monitored.

Recommendation - Commitment to assessing the distributional impacts of the changing energy system from Ofgem, the Future System Operator and the government. By demonstrating fairness in the design of policy we can increase trust in the energy system.

[19] *HOMEflex Qualitative Research: Domestic energy consumers' needs and concerns about assurance and protection in flexibility market,* CSE (2023). Accessed via: www.cse.org.uk/research-consultancy/consultancy-projects/homeflex-qualitative-research/

Q7 How can the customer journey in domestic DSR be made simple and seamless?

The complexity of the offers, services and providers that are likely to emerge is an area of significant concern. As is highlighted in the consultation document, scenarios may emerge in which multiple stakeholders own a piece of the customer journey resulting in a more complex and fragmented experience for the consumer. As is continuously evidenced by the relatively small proportion of households who switch energy supplier, lots of households do not want to actively engage in the energy market. Participants in our research for the development of the HOMEflex Code of Conduct expressed a desire for fewer schemes and suppliers[20].

Common standards of practice and communication, smart energy advice, and a focus on 'fairness' in designing products and services should go part way to alleviate these issues. However, it remains challenging to square what we already know about vulnerable consumers engagement with energy, with this new level of complexity and choice.

The DFS evaluation has shown a number of uncertainties around the extent that households understand how to shift, including households opting in with little expectation of being able to shift or making large efforts to shift with little load available to them. Within schemes, better advice is therefore needed to help households consider what they can shift and the benefits they are likely to see.

Key points from research with consumers suggest the following requirements:

- Clear and transparent explanation of any expected financial benefits, and notification if those benefits are not being achieved by households.
- Easy comparison across similar types of flexibility offers, including standardisation of terminology.
- Easy assessment of how low carbon technologies, tariffs, and DSR services work together or are incompatible.
- Easy assessment of how a new smart product or service will affect current domestic set up and running costs.

CSE recommends a standardised journey to the achieving smart energy capabilities, that households can easily situate themselves on and identify what steps to take next. This journey could be:

1. I have a functional smart meter.
2. I can check my energy use and understand my energy costs.
3. I know what shifting means and what demand I can easily and safely shift.
4. I understand how shifting relates to renewable energy and the changing energy system (either via using my own generation or via DSR).

[20] *HOMEflex Qualitative Research: Domestic energy consumers' needs and concerns about assurance and protection in flexibility market,* CSE (2023). Accessed via: www.cse.org.uk/research-consultancy/consultancy-projects/homeflex-qualitative-research/

Q8: Do you agree that these factors are important in ensuring an attractive and simple domestic customer journey in DSR is realised? Are there any other factors that should be considered?

'Clarity', 'Confidence' and a 'Compelling proposition' are important, but not enough. Missing from this list is 'trust' and 'consent'. Trust underpins confidence and will be key to support active engagement by some consumer segments. But trust also opens up wider and more inclusive consumer journeys into DSR for those less able to actively engage. For households dealing with multiple vulnerabilities or financial crises, a trusted intermediary that acts in the energy market on their behalf may be the most efficient and simplest route to engage.

Trust in the energy market is at an all time low and this is particularly the case for those on non-standard tariffs or pre-payment meters. We've also seen abhorrent behaviour from energy suppliers forcing entry to people's homes to install prepayment meters and mode changing i.e. switching people to smart prepay without notice. Many of the people CSE gives advice to no longer want a smart meter because they fear being switched remotely to prepay. Trust in providers was also raised in our research for HOMEflex - participants preferred well-known energy suppliers rather than relatively unknown providers, reflecting cautious behaviour following the spate of recent energy supplier insolvencies[21].

The recommendations we have outlined in this document are intended to help to build consumer trust, particularly for more vulnerable households.

Q9 What barriers do you see to these factors in the domestic DSR customer journey being realised in practice?

Smart meter roll out

The current problems in providing smart meters to all households is a significant barrier and this is unlikely to shift without action to improve trust in the energy system.

The smart meter roll out currently sits at 58% of homes[22]. 41% of respondents to a Smart Energy GB survey reported having concerns about smart meters[23]. Without trust, those with concerns aren't going to access smart meters and will undoubtedly get left behind. UK Government expects 80% of homes to have smart meters by 2025[24], but even this means 20% of households will not be able to participate.

[21] *HOMEflex Qualitative Research: Domestic energy consumers' needs and concerns about assurance and protection in flexibility market,* CSE (2023). Accessed via: www.cse.org.uk/research-consultancy/consultancy-projects/homeflex-qualitative-research/

[22] *Smart Meter Statistics in Great Britain: Quarterly Report to end June 2023*, UK Government (2023). Accessed via www.gov.uk/government/statistics/smart-meters-in-great-britain-quarterly-update-june-2023

[23] *Update on the rollout of smart meters*, National Audit Office (2023). Accessed via www.nao.org.uk/wp-content/uploads/2023/06/update-on-the-rollout-of-smart-meters-summary.pdf

[24] Ibid.

It is highly likely that there will always be some consumers who do not participate in the smarter energy system and do therefore get 'left behind'. Protecting these consumers should be seen as a priority for policy-makers and regulators, through mechanisms such as a 'social tariff'[25] .

Identifying vulnerable consumers

Through CSE's consumer research for UKPN's Socially Green project phase 3, we spoke directly to flexibility service providers and community energy groups interested in delivering flexibility services for hard to reach households. These potential providers expressed concerns on knowing how to identify and engage with low income/vulnerable households.

Through RIIO-2 Ofgem has introduced requirements on network companies around strategies for vulnerable customers and the provision of low carbon technology support – these must be followed through to ensure these licenced companies deliver in full on their obligations to know their customers. A similar approach should be implemented for new flexibility service providers who should be given clear direction and guidance on how to identify vulnerable consumers and measure their uptake of services, such as via use of vulnerability mapping tools. Again, intermediaries such as housing providers and community groups can be key to this and should be utilised to bridge the barriers preventing participation for some vulnerable customer groups.

Recommendation: Provide flexibility service providers with clear direction and guidance on how to identify vulnerable consumers and measure their uptake of services.

Alignment across government programmes and policies

As the consultation document states, "it is critical that we lay the right foundations today for domestic DSR, as its value and criticality for the energy system will only increase as we move towards net zero." It states that government has already legislated to ensure that private EV charging points, hydronic heat pumps, storage heaters and heat batteries must have smart functionality. This latter point is welcome but we do not consider it sufficient. Outside of the specific products mentioned, home retrofit being delivered at scale today through government funding schemes is not designed and delivered with future DSR in mind. Grant schemes are currently delivered at the minimum cost both in terms of the technologies installed and the advice provided. They are focussed on improving the SAP score of properties and many DSR measures are not included in the RD-SAP methodology. As these schemes are primarily aimed at lower income households this means we are currently missing a vital and limited opportunity for engaging and enabling more vulnerable households to participate, and providing people with assets that can participate in flexibility services.

[25] *Fairer, warmer, cheaper*, Citizens Advice (2023). Accessed via www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/Fairer,%20warmer,%20cheaper%20(March%202023)%20(1).pdf

Q10 What do you think is the role of government, Ofgem, industry and stakeholders in enabling an attractive and simple customer journey in domestic DSR?

Analysis of existing policy and legislation shows that customer protections do not fully cover the potential risks posed to consumers by emerging flexibility products and services[26]. This current lack of standards and assurance mechanisms could limit customer uptake or lead to negative outcomes and publicity, undermining trust and participation in flexibility markets.

Trust and fairness will not reliably emerge from the market without deliberate and purposeful action by policy-makers and regulators to secure it. We therefore welcome the forthcoming licencing and regulation framework around Smart and Secure Electricity Systems and the commitment to standards of consumer protection[27]. This framework must be implemented strongly and rapidly. As already discussed in this paper the HOMEflex Code of Conduct covers the main areas of consumer protection, sales and marketing, contracts, terms and conditions, complaints and redress. It is vital that this existing work is built upon.

There is also an important role for policy-makers and the regulator to encourage a more open approach to data within the future energy system, which could improve confidence from both consumers and industry. Almost 80% of households participating in the DFS evaluation opted to share their survey data for research purposes, resulting in a dataset of anonymised survey results for 18,530 households available for future research[28]. Social research carried out for HOMEflex also found that consumers expect energy suppliers and third-party aggregators to use their data to improve their outcomes.

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[26] *Demanding attention A risk register for domestic demand-side response*, Citizens Advice, ADE and Energy UK, (2022). Accessed via www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/Demanding%20attention_2022.pdf

[28] *Household Engagement with the Demand Flexibility Service 2022-23*, ESO (2023). Accessed via www.nationalgrideso.com/document/282981/download