

Energising... The Consumer

LONDON, IMechE
18th November 2014



“We can only tackle the issues in the domestic retrofit market by considering installers and consumers together.”

Carillion

Following the successful **Energising the Installer** Event held in London in July, the Sustainable Energy Association held a second event in the series, **Energising the Consumer** to revisit the issues from a different perspective.

Three panels of experts from Government, consumer facing organisations, and industry – and an audience from the sector - gathered to debate the policy question facing the domestic retrofit market: **How can we “energise” UK consumers?**

EVENT OVERVIEW

1. Introductory Remarks

- Chaired by **Dave Sowden** Chief Executive of the Sustainable Energy Association

2. Consumer-facing Organisations

- Ted Brown, **Energy Saving Trust**
- Stephen Murray, **MoneySupermarket**
- David Mortimer, **Smart EnergyGB**

4. DECC Perspective

- Lucy Longstaff, **Renewable Heat Incentive**
- Peter Farrand, **Household Energy Efficiency**

3. Industry Viewpoints

- Phil Shepley, **Carillion**
- David Thorne, **GemServ**
- Steve Keeton, **Vaillant**

5. Floor Debate

6. Closing Remarks

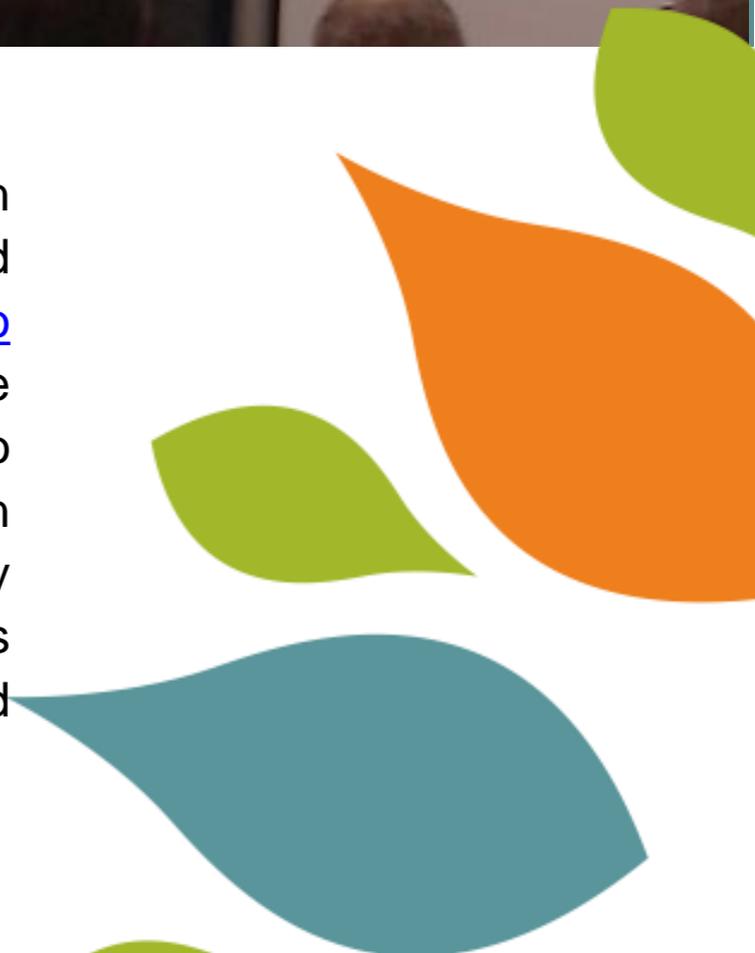


INTRODUCTORY REMARKS

“...industry
should focus on
people...” Dave Sowden



Dave Sowden introduces the [Sustainable Energy Association Manifesto](#), launched in March 2014, and speaks about the progress made on issues like energy efficiency and heating policy over the year. Recent analysis from [Cambridge Econometrics and Verco](#) have shown that building level technologies' benefits could outweigh other infrastructure projects- and the SEA Pathway's Analysis looks set to show around £9bn of benefit to be made by the UK economy if the Government pursued a more ambitious agenda in retrofit and new build policy. In this second event of a series, the Sustainable Energy Association wants to highlight some of the issues and opportunities for consumers when it comes to their energy use- with views from an expert panel from industry and consumer facing organisations.



THE CONSUMER CHALLENGE



Energy Saving Trust

Ted Brown describes issues for the consumers who come looking for support with energy saving solutions

The opportunity for energising consumers is there. The latest findings of the EST consumer survey, UK Pulse, showed that 35% of consumers had constrained their living because of energy costs, that over 70% of the housing stock could benefit from intervention, and the smart meter rollout could enable better conversations.

But there are some frequently observed barriers to overcome. Consumer surveys also showed that the even consumers who rated themselves as engaged with their energy provision fundamentally misunderstood their heating systems and home energy use. Policy mechanisms often failed to distinguish between types of consumers: people rather than products should be a focus for intervention. Finally, key stakeholders for the future were not being engaged with- in a smart energy world, IT and Telecoms companies will be relevant to debates on energy use.

Where have lessons been learned? Scotland has piloted several schemes where rollouts of smart metering technology is partnered with local approaches to advice and access to installer experts. In addition, rollouts have prioritised giving better information to consumers, often showing them how their home measures up against similar properties- or against their neighbours. This has proved effective at building consumer *trust* which is the single most important factor for change.



MoneySuperMarket

Stephen Murray offers views on switching, energy costs, and consumer behaviour change

We tend to treat “energising” consumers to engage with their energy as a transactional problem when it’s actual a behavioural one. Despite the £300 average saving, only 2% of consumers switch.

Tips for converting consumers to action:

- **Understand the trigger points** for consumer action: e.g. more consumers switch when their fixed tariff product is coming to an end
- **Stop Spinning:** policymakers and industry alike are inclined to “spin” realities about energy costs, tariffs, and policy to consumers which leads to more distrust in the long run e.g. Political and industry “Price Freeze” promises are an example
- **Perform some myth-busting:** not understanding the practicalities of changing their household energy use often puts off consumers even when they’ve initially engaged. Many believe that it will involve disruption, or a decline in comfort, etc.
- **Utilise innovative technology:** there are opportunities for tailored consumer service e.g. having QR codes on bills which compare offers, or using smart meters/controls as a gateway to flexible tariffs

 Newform Energy Ltd and 2 others retweeted

Energy Saving Trust @EnergySvgTrust · Nov 18

@MartinSLewis of @MoneySavingExp biggest reason for energy switching in the UK, acc Stephen Murray @MoneySupermkt #EnergiseConsumers

SmartEnergyGB

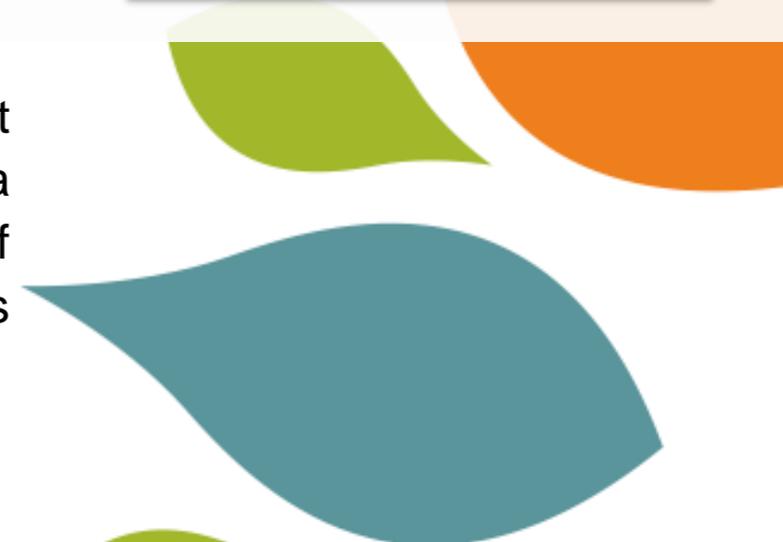
David Mortimer gives some insight into the smart metering rollout, and consumer-engagement to date

Partnerships are Key. Smart Energy GB has been set up to engage with consumers as the Smart Meter Rollout begins. David Mortimer speaks about their approach, which has been to partner with relevant organisations such as big retailers and consumer-advice organisations, as well as industry.

Consumers vary. The Partnership approach allows Smart Energy GB to communicate with different groups of consumers in ways they find relevant. It is also too easy to make assumptions about consumers' needs- for instance, busy professionals and vulnerable consumers actually require similar levels of support.

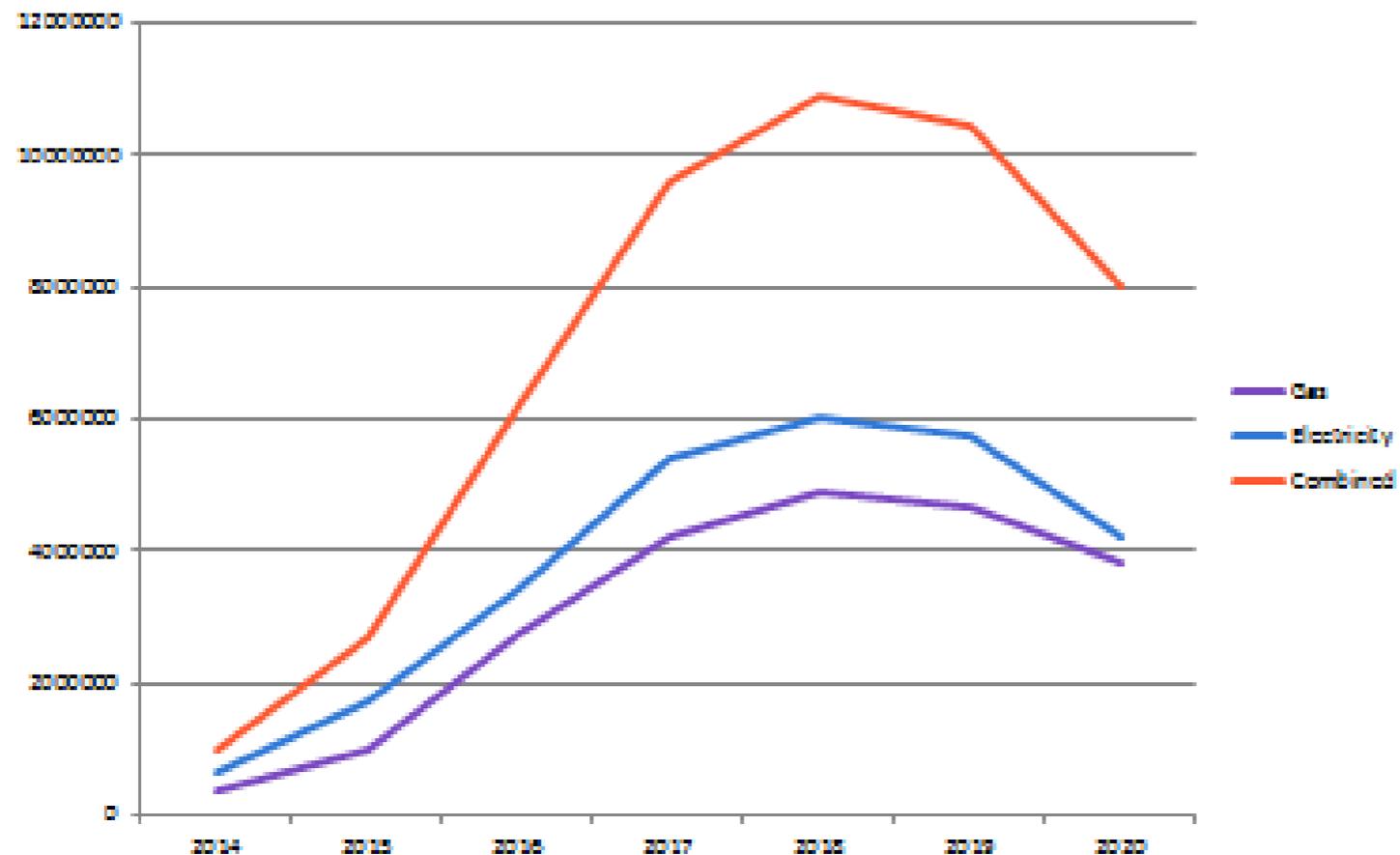
Consumers want to feel in control. Consumers often lack all the information: most have been put off by myths or by being let down by policy schemes in the past. The installation of smart meter displays tends to boost trust in the consumer's Supplier, which indicates that understanding can lead to more positive engagement.

There is no such thing as typical usage. With big consumer engagement programmes such as the Digital Switchover, it was possible to design and rollout a consistent region-by-region project. Energy is far more disparate- each type of consumer, household, and region needs careful thought. The big challenge is getting the resource- such as expert installers- on the ground, talking to consumers.



SmartEnergyGB

The planned Smart Meter Rollout will provide opportunities for more general conversations with consumers between 2016 and 2020



Installations by year

Source: SmartEnergyGB



INDUSTRY'S ROLE



Carillion

Phil Shepley goes over the challenges of whole-house retrofit for fuel poor consumers through Carillion EcoPod projects

Carillion's EcoPod is a complete retrofit unit which comprises an air source heat pump, gas boiler, and meter connected to a building management. Carillion has been installing multiple EcoPods with efficiency interventions such as SWI which save consumers around 80% on their prior energy use.



What are the challenges of “whole house”, local authority led, projects with fuel poor consumers?

- **Social Landlords and Public Sector Authorities have different priorities which must be met:** on the one hand, asset management is a key but they also have purely social obligations such as reducing fuel poverty.
- **Carillion had to take over as the building's energy provider:** In the long-term, it would be preferable to be able to move this over to the tenants themselves through a form of community energy.
- **Convincing consumers on large projects takes time and resource:** Carillion had to undertake multiple site visits, arrange for consumers to visit show homes, share case studies, and focus on long-term benefits. The scale of a large building project at least generates interest. They had a 96% take-up rate.
- **Key Barriers for consumers** were about trust, which could be countered with proper engagement, by using installers with a good relationship with consumers, and by prioritising long-term benefits for consumers.

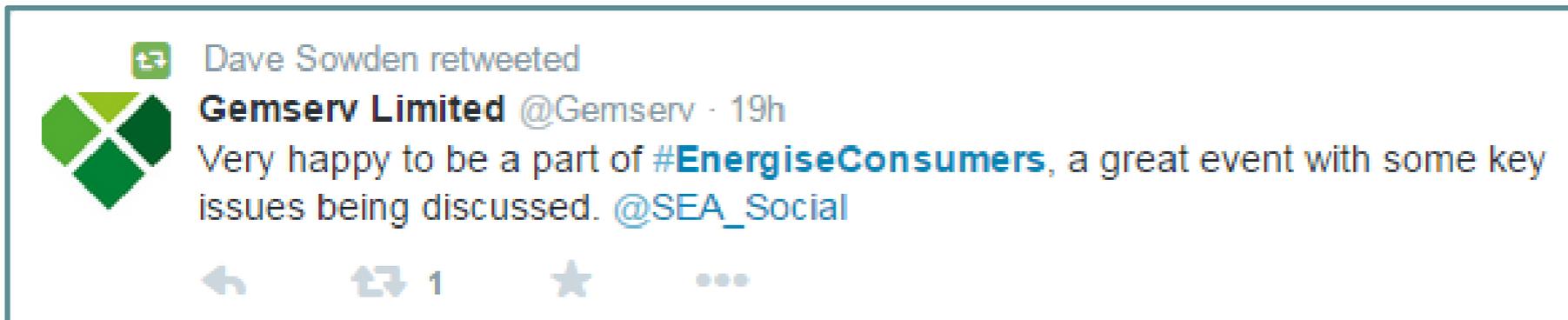
SEA @SEA_Social · Nov 18

#EnergiseConsumers with @Gemserv "the industry as a whole needs to build the confidence in the available schemes"

Gemserv

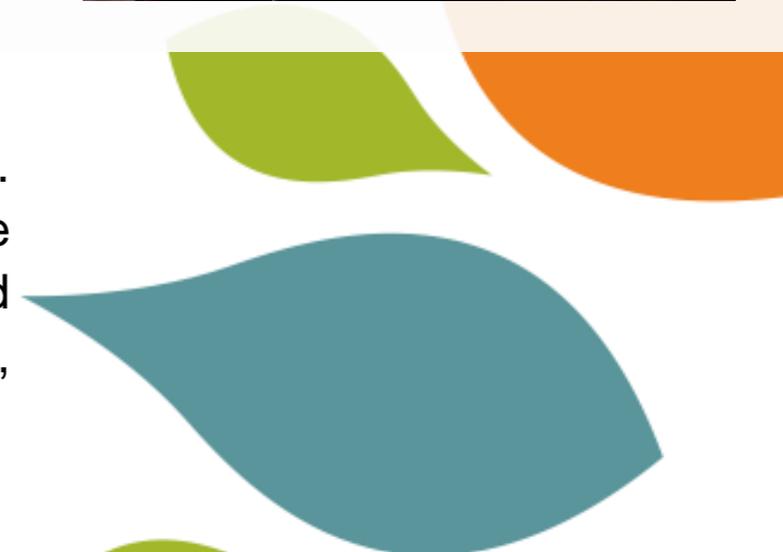
David Thorne gives an insight into how certification, standards, and support can empower consumers

Gemserv are a government scheme administrator and certification body. The organisation gets around 6,000 calls a month from consumers and industry on their Microgeneration Certification Scheme helpline, 1500 on the Green Deal Oversight and Registration Body phone-line, and 500 on the Biomass Sustainability List.



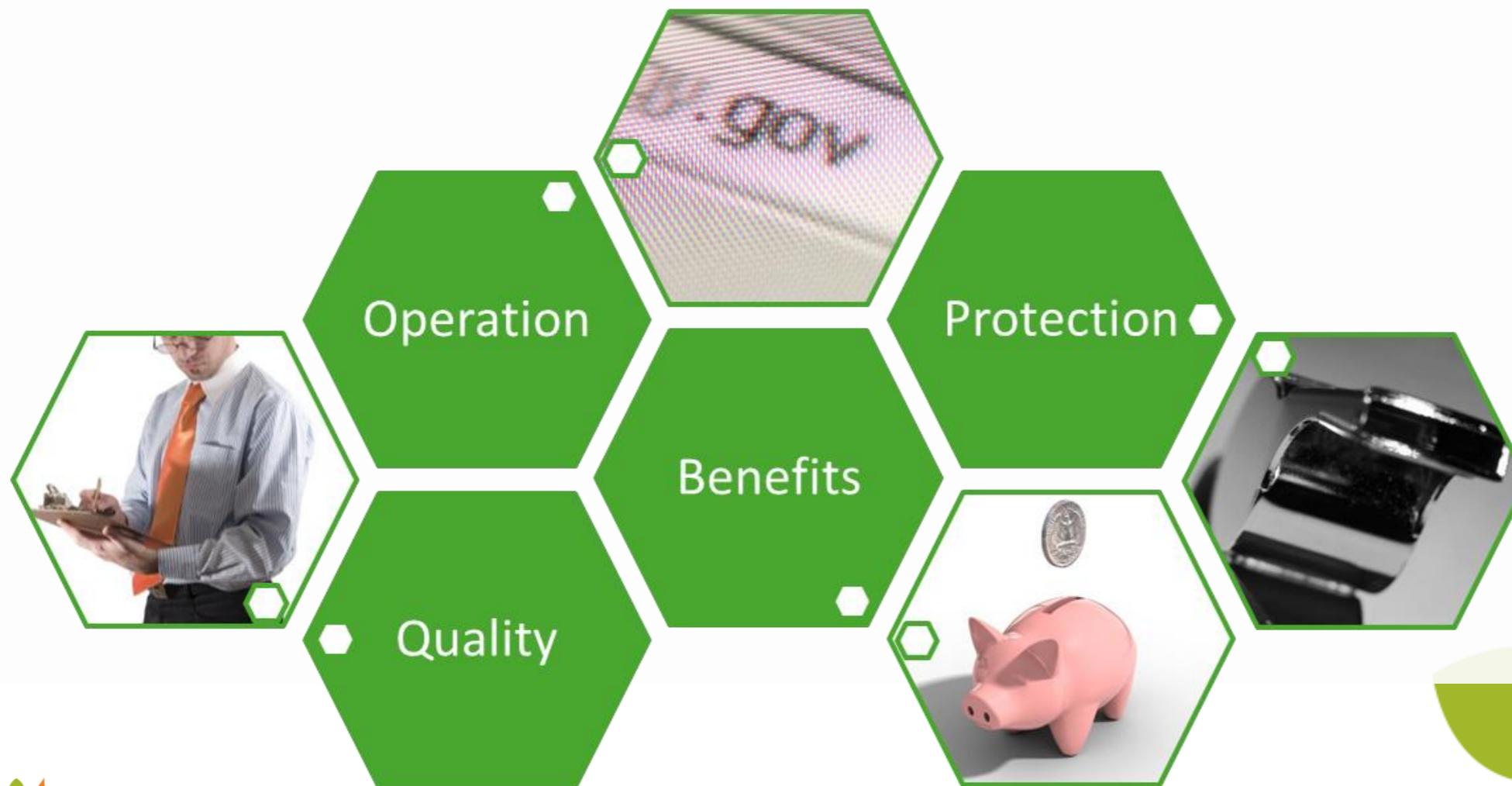
It is still industry, rather than the consumer base, which is seeking out information on new or alternative solutions for energy provision and demand reduction. When consumers do seek information they tend to be after simple reassurance: "What is the Government Scheme, what is the safety net if the intervention doesn't work?"

Consumers need the reassurance of standards and certification for new solutions. The difference is often made by having information that clearly demonstrates the benefits and protections available. It is possible that having access to personalised smart-meter data, in combination with clear information from groups like GemServ, will lead to the more conversations "over the garden fence".



Gemserv

In order for consumers to be energised, there must be the right blend of finance, smooth policy processes, good consumer protection, quality installation, and clearly articulated benefits....



Source: Gemserv

Vaillant

Steve Keeton asks what industry's role is in persuading the consumer to take more action

There are more opportunities to engage with the consumer than a distress purchase situation. Installers often have service arrangements in place with consumers which should be an opportunity to plan their future energy upgrade. There are 20 million boilers in the UK which could be serviced annually, with warranties getting longer. Distress purchase is not really an opportunity because the priority is to get the system turned back on.

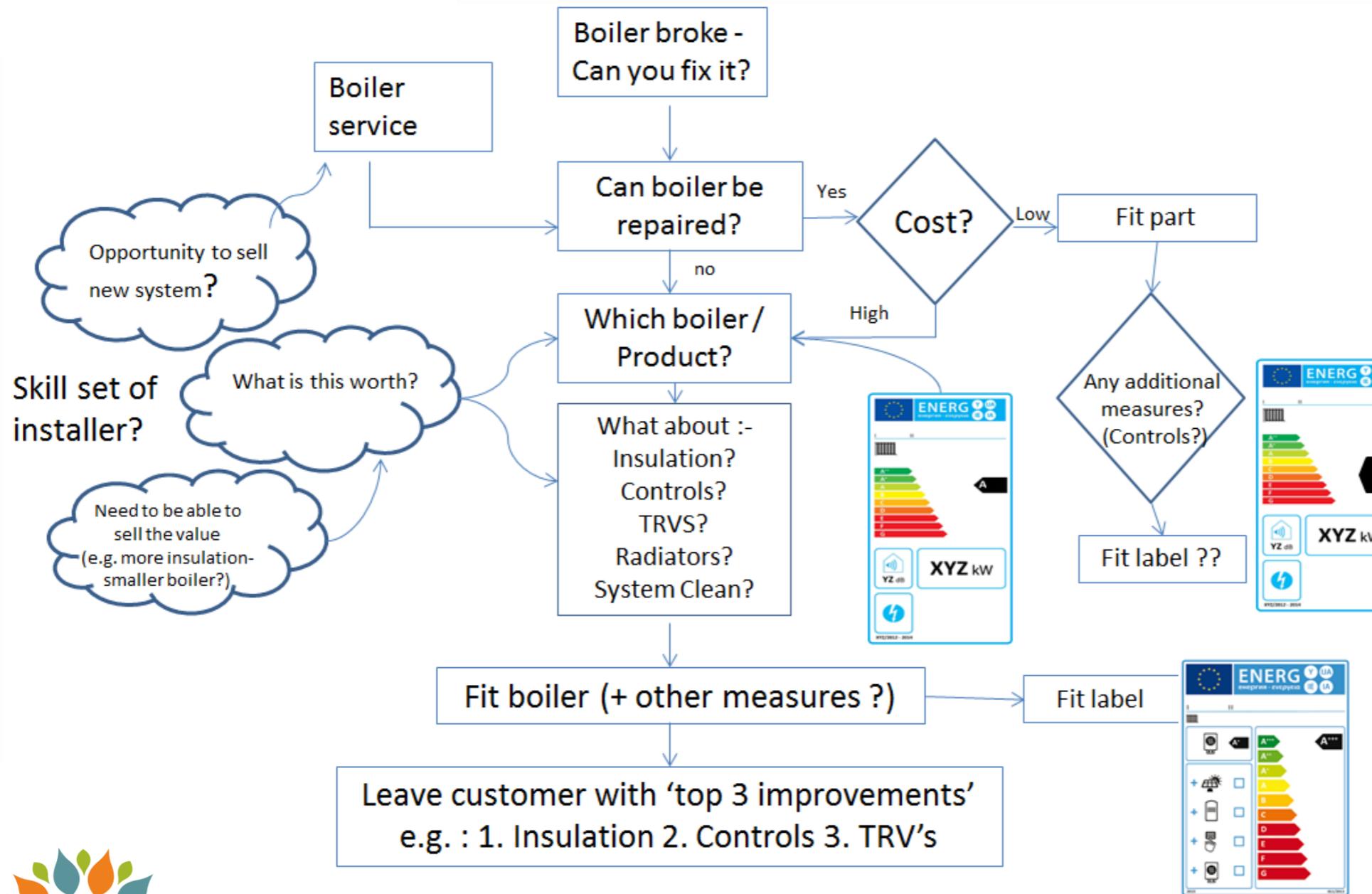
Industry should start with easy “additions” first. Many installers would feel more confident about offering “whole house” or more holistic energy solutions to their consumers if they were able to start with technologies that felt familiar. Heating controls and simple insulation measures could be a stepping stone to more ambitious changes, such as the installation of renewable technologies. A “top three” list of measures that could be installed alongside a boiler would be a good place to start.

Consumer understanding is critical. In Germany, the Government combined a more ambitious regulatory framework for heating replacements and servicing but also rolled out a labelling system which displayed clearly the savings that could be made by going “a step further” with energy retrofitting. Energising both installers and consumers is an interdependent process- both need to be engaged for success.



Vaillant

The decision making process for the consumer is complicated



THE VIEW FROM GOVERNMENT



Renewable Heat

Lucy Longstaff (RHI Team)

Why install a renewable heating system?

For DECC, the interest in renewable heating is as much about bringing down consumer bills in the long run as it is about meeting the UK's carbon and renewables targets. The Department has been conducting consumer research as the Renewable Heat Premium Payment and first phase of the domestic Renewable Heat Incentive rolls out, and they have found that triggers for installation were when consumers were upgrading their heating system, refurbishing or building a home, and could access grant funding.

Of the key barriers identified, a lack of information was key- 20% of consumers who experienced difficulties listed a lack of advice as a cause. There are also some measures which work better, in terms of project planning (according to data so far) in new build homes or as part of a bigger renovation: where new build was a trigger for installing renewable heating a large proportion chose a Ground Source Heat Pump.

Despite Government funding being available, many consumers are reliant on savings for installation; more innovative financing arrangements coming forward from industry may transform the type of consumer that is currently "going renewable".





Emma Lucy Pinchbeck @ELPinchbeck · Nov 18

SmartEnergyGB say immediate 10% trust boost to supplier when consumer gets live display #**EnergiseConsumers**



Energy Efficiency

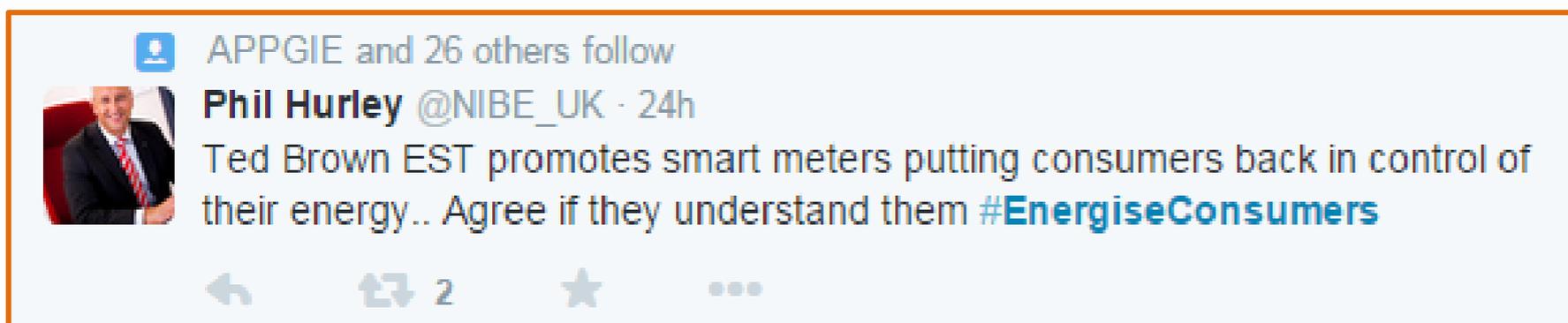
Peter Farrand (Household Energy Efficiency)

How can we persuade consumers to install energy efficiency?

Energy Efficiency is so cost effective that it should be easy to persuade consumers to install it.

However, DECC say that there are barriers around consumer trust, and that some measures (and some consumers) need support with funding to deliver this. They are conscious that policy interventions have not always helped build consumer trust and are keen to mitigate this- including taking another look at Green Deal Finance, for instance, and carefully considering how to position Government funding or intervention- a pay as you save loan scheme like the Green Deal could clearly target the able-to-pay consumer looking at home improvements.

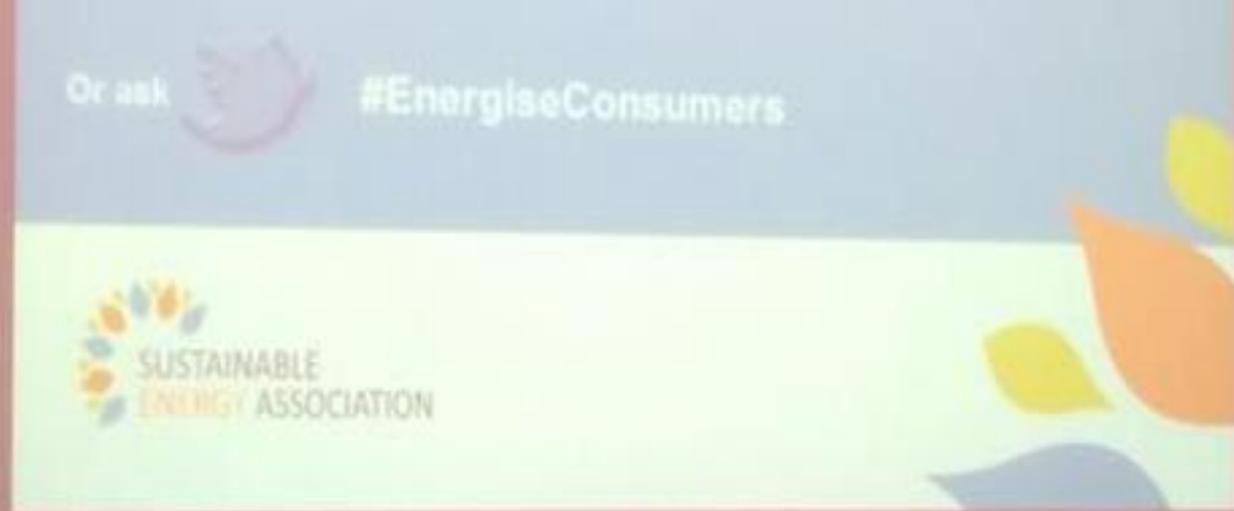
As well as managing the current incentive schemes, DECC is keen to work with industry to promote measures and schemes to consumers. Green open homes have proven powerful illustrations for consumers who are interested in upgrading their homes , because they can see what the energy solutions look like in practise. The Government (which has some status with consumers as an “independent authority” on technology performance), also has had a role to play in field trials and other evidence gathering on “new” technologies; other field trials are planned, for example, looking at the value that heating controls give to consumers.



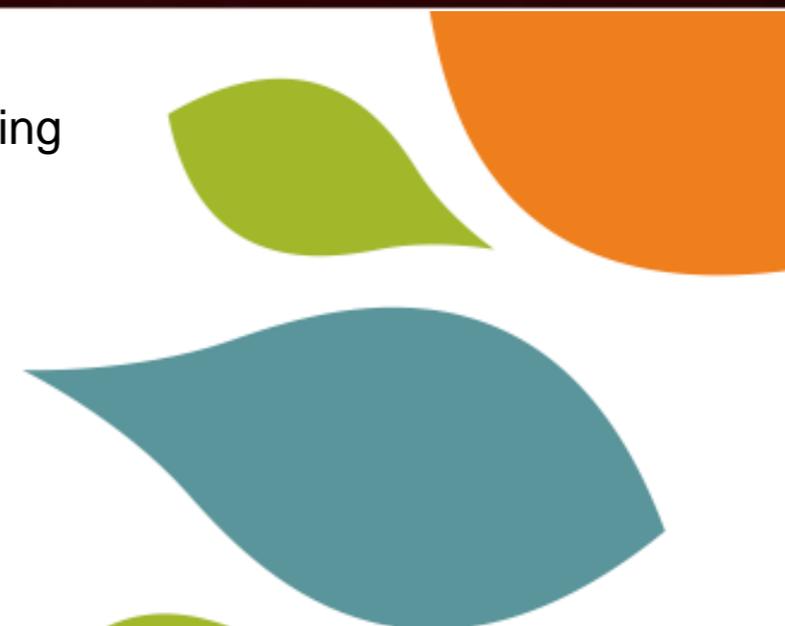
ROUNDTABLE

Including speakers & event attendees





Industry Panel at the Roundtable: Carillion, SmartEnergyGB, Energy Saving Trust, Gemserv, Vaillant, Department for Energy and Climate Change



Key Questions

“Can Engineers be Sales People?”

There is a mixed view from the room on whether the installer is the best placed person to be selling to consumers. However, there is agreement that the relationship between consumers & heating engineers, and the competitive heating market should already be pushing good installers to be having more detailed conversations about energy with consumers. Others argue that it is not about “sales” but rather that expert engineers share knowledge with consumers to empower their decisions.

“Will Consumers Ever Care?”

The key external factor that will change consumers' minds will be the point that either the “lights go out” or consumer bills rise high enough that the counterfactual technologies look more attractive. The low carbon argument only works as a driver for a small segment of aspirational consumers. The lack of trusted energy advice is also a problem- Money Super Market's Martin Lewis is pointed out as a trusted consumer advisor who was responsible for a large amount of switching activity.



“How can we reach consumers?”

Industry might need to think outside the box in order to engage consumers- from using the information increasingly coming forward from smart meters and similar, to developing “interactive” or game-based marketing, it is important to send a message about the multiple benefits these solutions bring. Perhaps we need a TV game show on energy? Government can support this with long-term policy signals, and a role in central marketing and consumer research.



CONCLUSIONS

- Trust is vital.
- Industry and Government need to be better at communicating the benefits of building level solutions.
- Consumer groups vary- there are not enough flexible and innovative policy options for different types of consumers and households.
- Heating installers have a key role in communicating with consumers- and could do with more support to do this.
- Smart products are an opportunity: they're aspirational, and an easy "additional" product to a heating installer's traditional installation; smart "tariffs" will enable value to be realised.
- Phased regulatory change sends a strong signal to consumers otherwise confused by mixed messaging.
- Local knowledge is essential- the most successful schemes often engage with local groups, local authorities, and contractors with a good knowledge of the community.



Next Steps for the SEA:

- Future Planned Events in 2015 focussing on Consumers & on Training
- Sharing key recommendations with officials and industry
- Working on policy suggestions in the SEA Working Groups

Join Us.

The Sustainable Energy Association is a member based industry body offering innovative policy solutions that link up building-level technologies and the wider energy system to achieve a low carbon, secure energy future for the UK, benefits for UK consumers, and commercial growth for businesses working in the sector. Our membership is comprised of a wide range of organisations that we engage to develop our policy positions, establishing member-led working groups and a governing body of members to discuss and authorise policy positions that have real commercial impact.

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