

By email only: [consumerflexibility@ofgem.gov.uk](mailto:consumerflexibility@ofgem.gov.uk)

29 September 2023

## **RECCo response to: Smoothing the journey – engaging domestic consumers in energy flexibility**

We welcome the opportunity to respond to this Call for Input. Our non-confidential response, appended to this letter, represents the views of the Retail Energy Code Company Ltd (RECCo) and is based on our role as operator of the Retail Energy Code (REC).

RECCo is a not-for-profit, corporate vehicle ensuring the proper, effective, and efficient implementation and ongoing management of the REC arrangements. We seek to promote trust, innovation and competition, whilst maintaining focus on positive consumer outcomes. We are committed to ensuring that RECCo is an “*intelligent customer*”, ensuring efficacy and value-for-money of the services we procure and manage on behalf of REC Parties, including those which constitute the REC Code Manager. More recently, we have taken over responsibility for the oversight and funding of the Central Switching Service.

We believe that household demand-side response (DSR) has a highly important role to play on the path to Net Zero, particularly in its capacity to engage and deliver tangible benefits to consumers during the transition. However, as set out below, we believe that this will only be realised through the establishment of a regulatory framework in which consumers have confidence and that gives them full control over the nature and extent of their involvement with DSR products and services.

This letter and appended responses to the Call for Input questions are not confidential and may be published as appropriate. Summary of key points:

- Consumers are likely to have a highly diverse range of preferences regarding the extent and nature of their engagement with DSR and it is vital that the customer journey reflects this;
- An important component of a positive consumer experience will be the development of a consent mechanism that makes it easy for consumers to switch between products while giving them confidence that their data is protected;
- It will be necessary to address the barriers to more vulnerable consumers engaging in DSR but also to be mindful that, as a consequence of personal circumstances, a proportion of those consumers will not be able to engage and must not be penalised for this.

We are happy to discuss any of the points raised in this response.

Yours sincerely,

**Andy Mower**  
**Regulation and Policy Manager**

### **Q1 – To what extent do you think we are reliant on domestic DSR emerging at scale in the transition to a net zero energy system?**

We are strongly reliant on domestic DSR in ensuring that the Net Zero transition is achieved in the most efficient and cost-effective way. Given the anticipated electrification of heat and transport as part of the decarbonisation of those sectors, which will increase daily demand peaks, domestic DSR will help to minimise the need for costly network reinforcement. A recent report suggested that, in the absence of household flexibility, the equivalent of four new gas-fired stations would be needed by 2030 to meet peak demand, at a cost of more than £2.5bn.<sup>1</sup>

In addition, domestic DSR is likely to have a very important role in securing consumer “buy-in” to the Net Zero transition. Through the provision of attractive products and services, the benefits of which both to the consumer and the system must be honestly communicated, providers will help to ensure that consumers are active participants in the transition and have a clearer understanding of the environmental, energy security and cost issues at play. But such outcomes will, to their fullest potential, only be enabled by a framework in which consumers have the trust and confidence to engage. In the absence of this trust, the wider population are unlikely to make a positive contribution to the Net Zero transition through their use of energy. Given evidence of declining public trust in energy suppliers<sup>2</sup>, this is likely to be a significant challenge to address.

### **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)?**

We believe that the focus should be on developing a framework that enables services through individual assets in order to create choice for consumers. Many consumers will prefer to engage in DSR in this way, and many companies’ offerings will be based on specific assets. A framework that allows innovators to enter the market with a focus on particular products will be to the benefit of consumers. Individual providers will then have the scope to bundle products and services into household propositions that can similarly deliver a number of benefits: for example, the prospect of a less complex customer journey that reduces the level of interactions required from a consumer in order for their assets to provide DSR. Irrespective of which is seen to have the greater benefits, the approach to engaging consumers must recognise the appeal of both DSR through individual assets and household propositions.

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

Many consumers are likely to seek minimal changes in the extent and nature of their engagement in the energy market through the introduction of DSR, including those who will seek to benefit from it. Indeed, some will likely be content to sacrifice a proportion of potential savings for an offering that is either not dynamic or that reduces the amount of interaction required from the consumer. Automation will be valuable in the latter respect, allowing consumers to set the terms of their contribution and alleviating the need for repeated actions. At the same time, this carries risks to the wider perception of DSR, in the event that the

---

<sup>1</sup> Cornwall Insight, [The Power of Flex: Rewarding Smarter Energy Usage](#) (August, 2023), p6.

<sup>2</sup> BMG, Ofgem, [Household Consumer Impacts of Market Conditions Survey](#) (September, 2022), p49.

use of automation with inadequate or poor explanation to customers proves overly disruptive to existing daily routines and thereby deters further engagement.

As noted in the Call for Input, the diversity of consumer preferences is likely to result in many customers holding relationships with different organisations for specific DSR products. This will bring to the fore the importance of managing consumers' consent for the use of their data in a manner that they can trust, and that enables them to switch to preferred deals without having to repeatedly give this consent to new providers.

Accordingly, the establishment of a consumer consent system – as recommended by the Government's Energy Digitalisation Taskforce (EDiT) – will be integral to a positive consumer experience that maximises the benefits of household DSR. Consumers will need to be able to unlock the value of their data while sharing it securely with trusted parties. We believe that this consent system should be based on a "tell me once" principle that allows consent to be carried between multiple suppliers, provide multiple routes for consumers to update so that all consumers can engage, and utilise consistent, clear and simple language, so that consumers fully understand the consent that they are providing.

As managers of a code that covers all meter and therefore consumer types, we believe that the Retail Energy Code Company is in a unique position to help deliver the recommendations made by the EDiT. This includes facilitating the industry engagement required to develop a consumer consent system, to which we have committed as part of our *Forward Work Plan, 2023-26*.<sup>3</sup> We look forward to sharing our recent work on identifying consumer personas and their user journeys, which should be of benefit to Ofgem and the Government as they work towards the implementation of the EDiT's recommendations.

#### **Q4 – How do you think consumers should be engaged on the nature and value of DSR? Do you think different consumer archetypes need to be engaged in specific ways, if so, which archetypes and how?**

The approach to engagement should take account of the factors most likely to influence consumers' willingness to participate in DSR programmes – be they positive drivers of participation or issues most likely to deter it. It will need to emphasise what will, to most consumers, be the key benefit – namely the opportunity for financial savings or incentives – while seeking to allay the distrust consumers are likely to feel about an unfamiliar element of a market already perceived as complex. Consumers will need to feel as though the effort in understanding and engaging in this market will be worth their time.

While the evidence is mixed, some academic studies have highlighted the influence of different socio-economic factors on consumers' perceptions of DSR: for example, a willingness to shift load has been found to be generally more prevalent among consumers who are younger, more highly educated, and living in households with a higher number of occupants.<sup>4</sup> Strategies for promoting DSR and the design of the offerings themselves will be best if they are tailored and take the distinct needs and interests of these consumer segments into account.

At the same time, we believe that many of the fundamental principles of engagement will be consistent across different archetypes. The channels for engagement must be sufficiently diverse to engage all types of consumers, including the digitally excluded. The language used must be clear and consistent, taking into

---

<sup>3</sup> Retail Energy Code Company, [Strategy and Forward Work Plan, 2023-26](#) (January, 2023), p17.

<sup>4</sup> Pei Hao Li, Ilkka Kempo, Marie Xenitidou, Maria Kamargianni, "[Investigating UK consumers' heterogeneous engagement in demand side response](#)", *Energy Efficiency* (February, 2020), p632.

consideration the fact that consumers are often time poor. Consumers must at all times feel that they have control and that their data will be protected.

Alongside the factors that might influence these different archetypes, consumers' acceptance of the nature of DSR is also likely to vary significantly between the different end uses to which it is applied. It is not sufficient to consider the propensity of particular types of consumer to engage with DSR without giving further consideration to the distinctions between how it is applied to specific technologies; that is, the general willingness of consumer archetypes to engage in DSR is likely to be greater for certain technologies than others. More generally, a crucial element of engaging consumers about the nature of DSR will be to consider their perceptions and uptake of the enabling technologies – most obviously, smart meters – and overcoming what might be widespread concerns about complexity and control.

**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?**

The principal motivation for engagement is likely to be financial. This is unlikely to vary significantly between different consumer groups. These financial benefits might be delivered through time-of-use tariffs or other market-based incentives, such as the Demand Flexibility Service trialled last winter by the Electricity System Operator. But the relationship between the extent of the savings and the scale of uptake is unlikely to be linear. Indeed, the initial barriers to achieving engagement might more easily be overcome for some consumers through relatively limited savings or incentives, as these might imply less disruption to their daily lives than more substantial rewards.<sup>5</sup>

Factors related to the wider environmental and system benefits will also be a consideration for consumers but we think they are unlikely to drive widespread participation in the absence of associated cost savings. Indeed, among the challenges of communicating about DSR will be that of explaining such system benefits even though the consumer's overall electricity use will not necessarily be decreasing as part of their chosen services.

Other identified motivators have included the prospect of reduced-cost technologies, increased control over energy usage, and a belief that participation in DSR programmes might be interesting and can be treated as a challenge. None of these are likely to be nearly as important as financial motivators though.<sup>6</sup>

**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?**

The DSR market can only be considered to be functioning effectively if it accommodates varying levels of flexibility and engagement. An outcome in which vulnerable consumers faced relatively high prices as a consequence of an inability to flex their usage, because they were digitally excluded, or because they lacked confidence in their ability to engage would be unsatisfactory.

Some consumers – in particular those who have a health-related need for energy usage – face barriers to engagement in DSR that will be exceptionally challenging to overcome. In a paper earlier this year, we highlighted the importance of improving the targeted electricity cost support that is made available to

---

<sup>5</sup> Karoline Gamma, Robert Mai, Claudio Cometta, Moritz Loock, "[Engaging customers in demand response programmes](#)", *Energy Research and Social Science* (April, 2021), p10.

<sup>6</sup> Bryony Parrish, Phil Heptonstall, Rob Gross, Benjamin Sovacool, "[A Systematic Review of Motivations, Enablers, and Barriers for Consumer Engagement with Demand Side Response](#)" (June, 2023), pp18-19.

certain medical equipment users, given the ineffectiveness of the existing NHS rebates regime.<sup>7</sup> These consumers should under no circumstances be made to feel a need to adjust the running of their equipment in order for financial gains. It is essential that the widespread adoption of DSR does not further penalise them for circumstances entirely beyond their control.

We agree with the conclusions of Citizens Advice's recent research into ensuring that the benefits of flexibility offerings are widely shared. Ofgem, the Government, and industry parties will need to be cognisant of the concerns that many vulnerable consumers feel about each stage of the customer journey. Addressing these will require meaningful interventions to ensure consumers have access to impartial advice on flexibility offerings, are assured that they will not be trapped in a contract if they wish to trial DSR, and are supported by the development of standards for accessible products.<sup>8</sup>

It is also critical that, recognising the importance of protecting consumers as the DSR market grows, Ofgem works with the industry in intensifying efforts to improve data sharing, so that those consumers in need of support can be more easily identified. We believe in particular that enhancements to the Priority Services Register through existing industry mechanisms can broaden accessibility to the register. They can help steer a path, in the longer term, towards the development of a framework that enables data sharing with a wider range of organisations – including within the health sector – moving support services closer to a “tell me once” principle and markedly improving the consumer experience.<sup>9</sup>

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

We agree with the emphasis that Ofgem has placed on the importance of a simple and seamless customer journey. It is essential that the barriers between the benefits from DSR perceived by the consumer and the delivery of those outcomes are minimised.

Clear and comprehensive information will be needed at each stage of the customer journey. It cannot be simple and seamless unless consumers understand from the outset the purposes of DSR and its value to the wider energy system, its benefits to households, and the different types of DSR that could be utilised by them. The communication of these details to consumers will require consideration, for different consumer segments, of the most trusted intermediaries, the most effective channels by which to engage, and the ways that this information should be tailored to reflect their particular interests and concerns.

Interoperability will also be a core component of a seamless journey, offering the flexibility for consumers to make best use of their technologies and giving them the opportunity to enter into new contracts with service providers. Relatedly, consumers will benefit if they are able, with their consent, to share consumption and other data with third parties so that they can benefit from more options and be made aware of other products and services that could deliver stronger financial benefits. We should take note, even while accepting that energy operates in a different paradigm, of the benefits that Open Banking has brought to engagement in that sector<sup>10</sup>, giving consumers control and driving firms to innovate in offering services to meet their customers' needs.

---

<sup>7</sup> Retail Energy Code Company, [How Can We Better Support Medical Equipment Users With Their Electricity Costs?](#) (May, 2023).

<sup>8</sup> Citizens Advice, [A Flexible Future](#) (August, 2023), p15.

<sup>9</sup> Retail Energy Code Company, [How Can We Improve the Priority Services Register for Vulnerable Consumers?](#) (June, 2023).

<sup>10</sup> This is in the sense that energy is delivered to a property that may have multiple or no occupants living in it, while a bank account is set up for a person (or persons with equal rights).

In an unfamiliar environment, consumers will need mechanisms that allow them to feel comfortable that their chosen offering is providing them with the best return on investment. A simple and seamless journey will require means for them to compare products and to understand the risks and opportunities associated with each. Consideration should be given to the development of price comparison tools that can support consumers in this respect.

Finally, achieving a balance between protections that give consumers confidence in the choices that they are making and facilitating the freedom to develop new products and business models will be essential. Ofgem and the Government will need to monitor what is likely to be a fast-evolving sector in order to ensure that customer protections keep pace with changing circumstances.

**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?**

We agree that the cited factors will be important in the consumer journey. Particularly important will be demystifying an area that is relatively complex for consumers, ensuring that the benefits of DSR can be easily understood and accessed. This clarity will breed the confidence for consumers to engage. By contrast, introducing new offerings to consumers in the market in a way that results in confusion could easily heighten distrust in the market at a time of existing concern about prices that are higher than in the past. Messaging to consumers about the need for DSR will be important as many are likely to feel an instinctive scepticism about the factors that have led to them being asked to consider varying their usage.

In addition to the sub-headings under “confidence”, we would suggest the addition of “contact”: consumers need to know that, in the event that they require further support or information, they are easily able to make contact with the relevant provider. As we already see in the retail energy market, the absence of contact opportunities can be a real source of frustration to consumers. Ensuring that engagement can occur through channels that suit consumers’ preferences, whether they be traditional or digital channels, will provide the best opportunity for DSR programmes to be effective.

Under the “choice” sub-heading, we would note the importance of consumers not only having options but being able easily to compare them so that they are able to make informed choices. Consumers should have the ability to switch providers and this should be a simple process with minimal friction.

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

We see two key barriers to the establishment of a simple and seamless journey for DSR customers. The first is a lack of consumer trust in the energy markets. This could discourage consumers from engaging with DSR in the first instance and, once they are evaluating the opportunity, could make them reluctant to cede control over their technologies to other parties. It will be important to consider the role that trusted intermediaries can play in engaging with households who are interested in participating, and the level and nature of the information that will be needed to provide consumers with comfort: for example, assurances that they are not “locked in” to deals that prove unsuited to their needs, and tailored advice on the savings achievable.

In the case of the latter, the roll-out of time-of-use tariffs in California provides a useful case study. For a year, each customer was provided with a shadow bill that allowed them to assess the impact of the tariff and that credited the difference to those who would have paid less on their old tariff. “Upside-only” offerings,

providing relatively limited incentives, could offer a valuable gateway for many consumers, otherwise reluctant to engage with firms in the energy sector, towards ultimately engaging with more dynamic products.<sup>11</sup>

The second barrier is the approach taken to obtaining and managing consumer consent. Maximising the potential of automating technologies will be dependent on ensuring that consumers have clearly provided informed consent to data and device control. At the same time, it would be problematic to the widespread adoption of DSR if this entailed a requirement on consumers to consent with each provider individually. This would result in a poor user journey that involved logging into multiple systems and would require consumers to engage with the different design approaches taken by individual companies. As set out above, we advocate the introduction of a centralised consumer consent system, allowing a consumer to change home or supplier while their preferences remain unchanged.

One of the key challenges in delivering this system – and part of the reason why the energy market, compared to a sector like banking, has made relatively limited progress on data sharing – will arise from the fact that supply is delivered to a household rather than an individual. Our view is that control of consumer consent should sit with the registered bill payer, given the contract that will exist between them and the service provider; however, we recognise that certain situations, such as where the bill payer is a landlord or one individual pay on behalf of the household (such as tenants in a rented property) are more complex. In these situations, we think that the bill payer should be required to provide visibility of consents for the household in which they live, coupled with a disclaimer assuring that before providing or withdrawing consents members of the household have been informed. This approach, that of the bill payer providing consent, is practised within the industry but not explicitly outlined in policy. Making it clearer in policy would enable the industry to move forward with consumer consent management.

#### **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?**

We would like to see Ofgem, in developing the framework that will facilitate the customer journey, prioritise the tweaking and adaptation of existing roles and vires, rather than the creation of new bodies. Further, it should where desirable seek to allow other organisations to lead on particular initiatives, so that it can focus on its core role of ensuring that consumers are protected through, for example, the development of common standards for the design of DSR assets and ensuring that offerings are easily comparable. In doing so, it will need to be mindful of those consumers who are already offering flexibility through their suppliers; it will need to ensure that the addressing of any potential consumer harm if offers are not, for example, “fair” or interoperable, is not to the detriment of ongoing innovation and investment in the sector.

The Government should focus on policy development – for example, the establishment of funding streams that can incentivise DSR uptake – and should also recognise where specific initiatives would be better led by other parties.

---

<sup>11</sup> Sophie Yule-Bennett and Louise Sunderland, [The Joy of Flex: Embracing household demand side flexibility as a power system resource for Europe](#) (June, 2022), p44.