



HOMEflex Qualitative Research

Domestic energy consumers' needs
and concerns about assurance and
protection in flexibility markets

A report for Flex Assure and
Scottish & Southern Electricity Networks
January 2023



The Centre for Sustainable Energy (CSE) is a national charity supporting people and organisations across the UK to tackle the climate emergency and end the suffering caused by cold homes.

St James Court, St James Parade, Bristol BS1 3LH
0117 934 1400 | www.cse.org.uk | @HelloCSE
Charity no 298740 | Company no 2219673



Scottish & Southern
Electricity Networks

Executive Summary

This report presents the findings of qualitative research conducted with domestic energy consumers to inform the development of the HOMEflex 'Code of Conduct for Domestic Flexibility Services'. The research had two main objectives:

- 1) Assess the extent that the draft Code of Conduct addresses consumer concerns about energy flexibility services.
- 2) Elicit suggestions for improving the draft Code of Conduct that can be used by the HOMEflex team as they prepare the final version of the Code.

This report is part of the HOMEflex NIA project and details of the full project can be found on the Smarter Energy Networks portal ([project link here](#))¹.

Background

Demand flexibility is a core enabler of the UK's low carbon transition. Innovative products and services are being brought to market that test how much flexibility domestic energy consumers can and will provide. For example, Winter 2022-23 has seen the launch of a demand turn down service by National Grid ESO with 16 suppliers providing flexibility from domestic customers². However, consumer advocates have flagged that consumer protections may not be keeping up with the pace of market innovation. Analysis on existing policy and legislation shows that these do not fully cover the potential risks posed to consumers by emerging flexibility products and services³. The 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.

The HOMEflex project aims to address this by developing a Code of Conduct that flexibility service providers can sign up to. The Code is being developed through a process of market analysis and stakeholder engagement led by Scottish and Southern Electricity Networks (SSEN) Distribution with Flex Assure. In addition, the Centre for Sustainable Energy (CSE) has run qualitative research with groups of households to discuss their concerns and expectations about flexibility service providers. These insights are now being used by the HOMEflex team in drafting the Code.

¹ https://smarter.energynetworks.org/projects/nia_ssen_0061

² <https://www.nationalgrideso.com/industry-information/balancing-services/demand-flexibility/approved-provider-list>

³ https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/Demanding%20attention_2022.pdf

Research design and results

Households have different capabilities and motivations for flexing their energy demand. CSE's 'Capabilities Lens' recognises a range of factors that influences a household's ability to engage with and benefit from different flexibility products and services⁴. The HOMEflex Code of Conduct aims to recognise these potential differences and incorporate this insight into the Code. Therefore, the qualitative research was structured to elicit insights from households with a very broad range of smart energy capabilities. The research team recruited people with different housing situations, domestic routines and caring responsibilities and who had different types of appliances and attitudes towards technology. Participants were split into four groups determined by income level and their confidence towards energy and digital technologies (Figure 1).

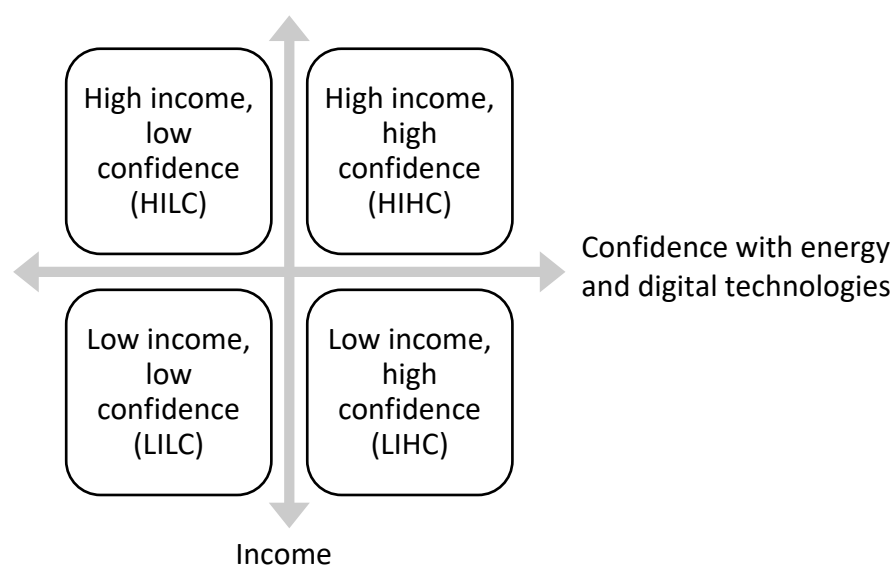


Figure 1: Focus group structure

Two rounds of focus groups were conducted with 19 participants in total. The first round of focus groups covered consumer concerns around three different flexibility services of increasing complexity; the Demand Flexibility Service (DFS), a battery offer with a grid services package and a home energy automation service. The second round sought feedback on the draft Code of Conduct and the topics it covered. Transcripts of focus group discussions were analysed thematically.

Quotations from focus groups are presented throughout by participant number and focus group: so, for example, P1 HIHC would be participant one at the High Income High Confidence group.

Discussion at the first round of focus groups raised a number of key concerns.

- All participant groups struggled to understand the technicalities of the flexibility services discussed, which informed associated concerns around safety, convenience and calculating potential financial benefit

⁴ <https://www.cse.org.uk/downloads/reports-and-publications/policy/energy-justice/smart-and-fair-phase-1-report-september-2020.pdf>

- Participants also reported being wary about comparing different offers in a flexibility market and taking up services from unknown or untrusted providers
- Some participants questioned the value of flexibility services as an approach to tackling energy issues

The Demand Flexibility Service (DFS) was one of the examples discussed in the first round of focus groups. All participant groups reported that, of the three examples presented, they were most likely to take up the DFS.

The one I think I might go with is the Demand Flexibility Service. The other two options [require] capital but even if I could afford it, I don't think I would.

P4 LIHC

Key benefits reported were the ease of taking up the offer, the direct financial incentive and lack of punitive measures. Key concerns included how the DFS would work with routine or household dynamics, safety and the quality of incentive offered.

Discussion at the second round of focus groups started by gathering general participant views on consumer codes and standards.

- Participants agreed that the most effective protections were mandatory and 'had teeth'
- Lower confidence groups were more likely to report codes and standards impacting their purchase decisions

Following discussion of the draft Code of Conduct at the second focus groups:

- 17/19 (89.5%) participants reported in a poll that they were either very or fairly confident about taking up a flexibility service. This was five more participants than had reported confidence after the first focus groups.

Insights for the Code of Conduct

The remainder of discussion at the second round of focus groups was structured around the five main headings of the draft Code of Conduct.

Sales and Marketing

Participants were positive about the draft Code of Conduct statements shared around Sales and Marketing and said they were a 'great starting point'.

Most comments on this heading focused on clarity of financial reward. Participants wanted financial information to be tailored to specific household circumstances, to indicate timeframes of benefits and to acknowledge any relevant uncertainties in forecasting.

You don't want to feel like you are being duped by these claims and I'm sometimes concerned they are too good to be true. I want to know with my home and my situation, am I actually going to save that? **P4 HILC**

Other comments included specifying geographic limits of service provision and measures to facilitate comparison. Overall, low confidence groups shared fewer views on Sales and Marketing.

Contracts and Terms and Conditions

Participants felt that the draft Code of Conduct addressed a comprehensive range of contractual areas and issues. A key theme of discussion around this heading was making sure Terms and Conditions are concise and easy-to-read. Several participants shared that they did not normally read Terms and Conditions. Some specific suggestions were raised for maximising the accessibility of any Terms and Conditions and bringing them forward in the consumer's decision-making process. One participant felt there was a role for accreditation to play in scrutinising Terms and Conditions so that consumers could have confidence in them:

I expect whoever they are accredited by to have gone through the Terms and Conditions with a fine-tooth comb so we are not getting ripped off in the small print. **P2 HILC**

Other key areas of discussion included transparency on financial elements, clarity around insurance and guidelines around what happens in case of supplier insolvency.

Technical Due Diligence, Data and Cyber Security

Participants from low income and low confidence groups shared the most comments about technologies. They were keen that any technologies or services were properly explained and, where possible, standardised in terms of warranties and compatibility.

Most participants were happy with flexibility services to simply comply with existing regulation with regard to data and cyber security. Several participants felt that they wanted providers to provide some insight on their energy data: for example, providing tips for maximising savings.

I guess in terms of sharing the data, it would be important that there was feedback on the data. Perhaps ... you're no longer benefitting from it [the service] because your energy use has dropped below the threshold required to make a gain from such a system, which might not have occurred to you. Obviously if they [provider] can see your data then they've got that opportunity to feed back to you, so they're not just sitting on a secret. **P3 HIHC**

Complaints and Redress

Participants in all groups cited the need for an independent body (an ombudsman or regulator) to deal with complaints and redress and enforce standards. This was deemed especially important for services involving multiple providers.

Then you've got that confidence that if your energy supplier or whatever are not taking it seriously enough or not doing what you think they should,

you have the option to take it to an independent entity. I think that would give me some confidence. **P2 LILC**

Insolvency was a concern raised by three participant groups. Participants wanted regulation to protect them in case of a potential break-in service, for example a requirement for providers to have a back-up plan for service provision if they cease trading. They also wanted regulation to take account of whether providers have a history of insolvency. Participants shared some general thoughts around best practice in terms of effective complaint and redress procedures.

Ethical Considerations

Participants shared some specific feedback on the draft guidelines around Ethical Considerations. Participants requested more clarity around: how the ability to manage financial risk was measured, which customer vulnerabilities are included in consideration, and what constitutes inclusive design.

Generally, participants were reassured that the Code of Conduct encompassed thinking about equity and fairness and agreed on the principle that services needed to be recommended to suitable consumers.

If my home is wholly unsuitable I would expect them to tell me and not just install something and say it is going to work and take the money and leave me with no benefit. I suppose the point is just making sure it is the right system for the right people. **P4 HILC**

One participant suggested that the right to switch from a long contract, especially for vulnerable consumers, could be included in Ethical Considerations.

Next steps

The insights summarised in this report are being used by the HOMEflex team in the drafting process for the Code of Conduct.