



# Consumer Futures Unit Annual Report 2017-18

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# Consumer Futures Unit 2017-18 Annual Report

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Electronic: ISSN 2398-6220

Hard copy: ISSN 2398-6212

Consumer Futures Unit publication series: 2018-19 - 01



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# Executive Summary

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**Our 2017-18 Annual Report aims to summarise our activity and our impact. Impact is often the culmination of many previous years' worth of activity, and a single year's worth of activity may not lead to immediate impact.**

Policy change can be slow, and is reliant on parliamentary timetables and developments in the political arena. However, last year saw our efforts to improve things for consumers come to fruition in a number of areas. Some of these were the result of long-term, sustained, evidence-based campaigning, whereas others were the result of a concentrated effort on a particular issue in 2017-18 alone.

## In energy:

- > Our research on district heating in 2016-17 led the Competition and Markets Authority (CMA) to establish a preliminary investigation into the district heating market in 2017-18. The CMA has since echoed our recommendation for regulation in this area, including the consideration of a licensing scheme. This considerably increases the likelihood of licensing and regulation being introduced by government, offering better protection for consumers.
- > The Scottish Government's final Energy Strategy, published in 2017-18, included "consumer engagement and protection" as the first of its eight strategic priorities. This reflects our calls for better support for consumers in making the behavioural changes assumed by both the draft Energy Strategy and Climate Change Plan.
- > Our recommendations on household energy efficiency have strongly influenced the route map for Energy Efficient Scotland, the Scottish Government's new long-term programme to improve energy efficiency. The route map sets out a phased approach to regulating minimum energy efficiency standards for private rental and owner-occupied housing, and consumer protection and quality assurance will underpin the programme. Our broader proposals, including on effective new incentives for homeowners to install energy efficiency measures and a one-stop shop approach, have garnered cross-party interest and debate in the Scottish Parliament.

- > Our Facing Fuel Poverty report was published in June 2017 and recommended that the Scottish Government should fund a pilot project delivering face-to-face fuel poverty advice. The Scottish Government has since announced that they will fund the "Home Care" energy advice pilot, delivering energy advice in two areas of Scotland, which has similar aims to those proposed in our report. As a result of our report, we have been asked to sit on the advisory group for this pilot.
- > For the second year in a row, advisers in Citizens Advice Bureaux across Scotland, and in the Extra Help Unit, achieved more than £1 million in financial gain for their clients with energy issues. This was supported by the guidance on tariff switching.

## In post:

- > The issue of surcharges being applied for parcel deliveries to some parts of Scotland has been a long-standing area of concern for the CFU, with work in this area happening over a number of years. 2017-18 saw enforcement action from the Committee for Advertising Practice directed at companies with misleading online delivery claims, and the chair of the Scottish Affairs committee including our recommendation in their letter to the UK Consumer Minister.
- > Our research on SMEs' access to post and other communication services was used to provide evidence on digital connectivity to the Scottish Affairs committee.
- > In conjunction with the Consumer Council for Northern Ireland and Citizens Advice (England and Wales), we agreed a new Memorandum of Understanding with Post Office Ltd (POL). This safeguards the rights of communities to be consulted on changes to local Post Office branches once Network Transformation – POL's recent modernisation programme – has been concluded.
- > The final UK Government funding decision on POL was announced in 2017-18, and agreed with two of the key points in our response to the government's consultation in 2016-17.

## In water:

- > The Customer Forum was jointly established by the CFU, the Water Industry Commission for Scotland (WICS) and Scottish Water in 2017-18. It was tasked to directly represent the interests of consumers in the development of Scottish Water's business plan for 2021-2027, and is now working effectively towards that aim.
- > During 2017-18, the Drinking Water Quality Regulator launched an online Information Hub that will benefit 182,000 private water users. This implements the CFU recommendations from our research in 2016-17 which stated the need for more accessible information that supports consumers to improve their private water quality.
- > We facilitated partnership working between Citizens Advice and Rights Fife (CARF) and Fife local authority on water debt and water direct in 2016-17. This has resulted in greater relief for clients in water and sewerage debt, and a revenue increase for the local authority during 2017-18.
- > Scottish Water accepted the recommendations from our "Untapped Potential" report, including:
  - Supporting consumers to better understand their role in protecting public services and environment.
  - Adopting broader/better strategies for engaging communities and individuals on water and environment-related issues.

This could help lead to the prevention of fatbergs, sewerage blockages and sewage debris on beaches.

- > Scottish Water also agreed to take forward our recommendations for engaging with communities at risk of flooding. This should lead to improved preventative action, and mitigating the damage caused when floods do occur.

As well as our three specialist sectors, we also carry out cross-sector work that covers two or more industries.

## In cross-sector:

- > Our two-year project on simpler registration for consumers in vulnerable situations began in 2017-18. This generated interest from the Scottish Government's new Task Force on Consumers and Markets – to whom we will make recommendations once research is concluded – and our first stakeholder workshop won support and positive feedback from a wide range of attendees across government, regulators, service providers and organisations representing people in vulnerable circumstances. It led to the Customer Forum adopting the topic as a priority for the water sector, and it was also a top agenda item at a Scottish Government energy summit.
- > The second CFU Scottish consumer tracker survey was completed at the end of 2017-18, with some interesting findings that will be used to push for better consumer policy:
  - More than 10% of Scottish consumers find energy bills unaffordable,
  - 62% believe that parcel delivery should cost the same across Scotland (even if that means most people paying a little more)
  - Less than half of Scottish consumers know who to contact if they are worried about the cost of water/sewerage bills or about flood risk.
- > We concluded research related to consumers and climate change across different sectors. The Scottish Government's final Energy Strategy included "consumer engagement and protection" as the first of eight strategic priorities, in line with the recommendations from this work.
- > Following our research and insight report, Leading by Example, which recommended organisations use consumer principles to help focus their activity, Scottish Water are working with us this year to implement a principles-based approach.

# Introduction

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**The Consumer Futures Unit is part of the Scottish Citizens Advice network. We seek to improve outcomes for consumers, including SMEs. We use research and other evidence to put consumers at the heart of policy and regulation in the energy, post and water sectors in Scotland. We work with government, regulators and business to put consumers first, designing policy and practice around their needs and aspirations.**

We use seven consumer principles – access, choice, fairness, information, redress, representation and safety – to assess markets and identify current and potential consumer detriment. We work with, and use data from, the rest of the Scottish Citizens Advice network to stand up for consumers. We work across three key regulated industries on behalf of consumers of those industries in Scotland – energy, post and water consumers – but our work can, and does, have relevance to other sectors too.

Over 2017-18, the negotiations around the UK leaving the European Union loomed large in the political world, with potential consequences for almost every area of our day-to-day life. While few other consumer issues dominated the headlines in the same way, there were a great number of important developments in 2017-18 that did, or will impact consumers.

The CFU has kept abreast of these developments and proactively bring other vital issues to the fore. We sought to influence the discussion where possible, and to persuade companies, regulators and governments to take action where required. Our approach – offering constructive criticism based on robust evidence, works:

- The Scottish Government is taking forward several of our recommendations on regulating district heating to protect consumers, while our advocacy helped prompt the Competitions and

Market Authority (CMA) to open an investigation into the district heat market, which in May 2018 provisionally concluded that the sector should be regulated.

- Following our research enforcement notices have been issued to companies with misleading advertising around delivery costs, while the UK and Scottish governments and other partners are invested in tackling unfair parcel delivery surcharges.
- Working in partnership, we have established the Customer Forum for the Strategic Review of Scottish Water 2021-27, while the company has also accepted our recommendations on consumer principles and community engagement.

This, our annual report for 2017-18, includes a chapter for energy, water, post, and cross-sector. In each policy area, you can find information on our achievements for consumers. Some of these are the result of planned work in 2017-18, some of these are the result of responding to issues that emerged over the year, and some are the culmination of previous years' work. At the end of this report there is an appendix listing our expenditure in 2017-18.

## **Sam Ghibaldan**

Head of the Consumer Futures Unit



# Energy

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**Scottish consumers recently told us they find the cost of their energy bills the second most concerning issue they face<sup>1</sup>. Our latest annual figures found that the Citizens Advice network in Scotland helped clients with almost 30,000 energy issues and secured over £1.1 million in financial gain for these consumers.**

The demand for our energy advice continues to grow, with a 136% increase in annual demand since 2011. In addition, we provide online self-help advice and these online energy advice pages were viewed nearly 26,000 times in a year.

Beyond our day-to-day advice services, we deliver a number of successful energy projects and campaigns which have a real impact in lowering consumers' bills. We delivered 1,361 specialist

advice sessions through the Energy Best Deal Campaign and helped at least 14,784 people across the UK with their energy bills via face to face events as part of Big Energy Savings week <sup>2</sup>.

We work to ensure all consumers are able to heat their homes and power their appliances at an affordable cost, using energy delivered to them by organisations that operate in a fair and reliable way. We work to ensure policies and services are appropriate for all consumers in all circumstances.

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**1** As selected in CAS Policy Tracker Survey (2018) where consumers rated how concerning they found various listed issues. Brexit was the issue that most respondents were "very concerned" about.

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**2** All based on 2016/17 Advice in Detail figures. 2017/18 figures available from June 2018.

The Consumer Futures Unit energy themes in 2017/18 were:

### Consumer experience of retail markets

This year we have seen an alarming rise in energy costs, with the majority of large suppliers announcing rises over 2017/18 and 2018/19. It is unsurprising then that energy bills are one of the biggest sources of concern for Scottish consumers. In an attempt to mitigate this concern, the UK Government brought forward one of the recommendations in the CMA investigation into the energy market<sup>3</sup> – the introduction of a price-cap for those using pre-payment meters in 2017. The investigation highlighted the higher costs faced by users of pre-payment meters and complex restricted meters such as DTS, designed for electric storage heating. There are considerably more consumers using these meters in Scotland compared to the rest of GB. Around 400,000 of the 700,000 non-economy 7 restricted meters in GB are in Scotland<sup>4</sup>. A key focus this year has been to ensure that the implementation of the price-cap and other market interventions deliver outcomes for Scottish consumers, particularly electric-heat users. This was behind our research project E1 (as detailed below) to understand how advice quality and targeting can be improved in order for electric heat users to save money on electricity bills.

A major success for us this year followed the advocacy work we undertook to call for the regulation of district heating in Scotland. Given the expected growth of district heating over the coming decades, we are concerned that there is currently no consumer protection in place, and that district heating providers operate as monopolies in this unregulated sector. We are pleased to see that the Scottish Government is now taking forward several of our recommendations on regulating district heating to protect consumers. Additionally our advocacy helped to prompt the Competitions and Market Authority (CMA) to open an investigation into the district heat market, which provisionally concluded in May 2018 that the sector should be regulated.

### Energy efficiency and fuel poverty

Fuel poverty remained a key focus for us in 2017-18; it affects over a quarter of Scottish households. Among the main causes of fuel poverty are high

energy prices, low incomes and older, energy-inefficient housing stock. The Scottish Government is expected to introduce new legislation later in 2018 to address these factors. The Fuel Poverty Bill is expected in June 2018 and the new Energy Efficient Scotland (EES) programme is likely to include legislation to enshrine targets for the energy performance of housing. 2017/18 has therefore been a pivotal year for influencing both the fuel poverty and energy efficiency agenda.

We have undertaken considerable advocacy work in this area to ensure that support is targeted to those consumers most in need – often those in rural, remote areas, many of whom do not have access to mains gas and often rely on far more expensive electric heating. The Scottish Government consulted on a new definition of fuel poverty in 2017-18. The proposed new definition may change our understanding of which groups of consumers are most fuel poor. We undertook research (project E3) on what support different groups of consumers in fuel poverty need, and this provided us with evidence to inform the consultation. The CFU also sits on the Scottish Government's new Fuel Poverty Advisory Panel – a key route through which to advocate on behalf of fuel poor consumers using our evidence. We have called for the Scottish Government to introduce a higher minimum income standard for remote rural areas as part of the new fuel poverty definition, to take into account higher living costs in these areas.

The CFU also worked to influence the development of the Scottish Government's forthcoming EES programme, a major 20-year programme of financial advice and support for energy efficiency measures. It has the potential to elevate the energy performance of most homes and save consumers money on fuel bills. Thanks to evidence from our research in 2016/17 on consumer attitudes to regulation and incentives, several of our recommendations have been taken on board. The route map sets out a phased approach to regulating minimum energy efficiency standards for private rental and owner-occupied housing, and consumer protection and quality assurance will underpin the programme. Our broader proposals including on the need for effective incentives for homeowners to install energy efficiency measures have attracted interest across parties in the Scottish Parliament.

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3 [UK Government \(2016\) CMA publishes final energy market reforms](#)

4 [CMA \(2017\) CMA makes switching easier for 700,000 UK energy customers](#)

## Networks, low carbon technologies and consumer benefits

The extent to which Scottish consumers are affected by the investment decisions of the three Scottish network companies<sup>5</sup> is a consumer issue for two major reasons. It is consumers who ultimately pay for those decisions through their bills, and the modernisation of energy infrastructure will have significant practical implications for all of us. About 26% of a typical household's dual fuel bill is based on network costs to maintain and invest in the pipes and wires that deliver electricity and gas. This cost to consumers could potentially increase in the future as the network companies invest in smarter grid infrastructure in the transition to a decentralised, low-carbon energy system.

This year we have engaged regularly with all three Scottish network companies through meetings and stakeholder workshops to ensure that consumers' interests are heard and at the heart of their business plans. In addition we have contributed to consultations around the regulatory changes posed by Ofgem, the regulator, that will create a

significant shift in the way consumers use and pay for electricity in the future. We want to ensure the consumer principle of fairness is upheld and no one is left behind in the transition to a smarter grid.

Our research in this area assessed how well Scottish network companies were supporting their consumers, particularly their most vulnerable consumers (project E4). We used this evidence in consultations and will continue carrying out advocacy in this area in 2018/19.

2017-18 also saw the Scottish Government's consultation on the draft Climate Change Plan (CCP) set out carbon reduction targets for 2018-2032. We responded to this consultation emphasising the need for an increase in electricity supply to accommodate the transition to lower carbon heat and increase in electric vehicles. The Scottish Government also consulted on the Energy Strategy (ES) – a vision for the next 32 years – to which we responded from a consumer perspective. The ES, together with the CCP, formed the basis of our cross-sector research into the extent to which these plans consider the impacts on consumers, and how citizens will be expected to change their behaviour to have lower-carbon lifestyles.

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<sup>5</sup> Scottish Gas Networks is responsible for managing the gas network throughout Scotland. Scottish & Southern Energy Networks is the District Network Operator (DNO) for northern Scotland, and Scottish Power Energy Networks is the DNO for southern Scotland.



## Programmed work

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### Project E1: Understanding and improving the experience of consumers using electric storage heating

#### The issue

Electric central heating is consistently the most expensive way to heat a home; 11% of households in Scotland depend on electric storage heating and of these 51% are estimated to be in fuel poverty<sup>6</sup>. We carried out research into the experience of consumers using electric storage heating, and the support available to them, because this constitutes a far higher proportion of users in fuel poverty than for any other heating fuel type.

#### Research and recommendations

The research highlighted that:

- > The issues experienced by electric-heating users are complex, meaning some are most effectively resolved by in-home intervention or advocacy.
- > There is inconsistent advice from different organisations (including energy suppliers, regulators and support agencies). This can be confusing for consumers.
- > The current tariff market is causing disengagement amongst consumers, particularly those on dual electric meters.
- > Innovations in off-peak tariffs and electric heating and storage are out-pacing legislative and regulatory change.

Our conclusions from this research are that energy advice and support for electric heating consumers is most effectively delivered by ‘trusted intermediaries’ operating from services with strong local and social recognition, and that many of the issues these consumers face are best resolved through face-to-face, in-home support.

#### Progress and next steps

The findings from this research work (which concluded in March 2018) are currently being used to advise the Scottish Government’s Fuel Poverty Advisory Panel, of which the CFU is a member. This panel is the key means by which we will influence the development of the Fuel Poverty Bill – due to be laid before parliament in June 2018 – which will underpin the new Fuel Poverty Strategy. Advocacy work continues into 2018-19 and using this evidence, we will:

- > Advocate for more targeted and specialist advice for electric heating users under the Fuel Poverty strategy, ensuring they are sufficiently supported.
- > Advocate for the upward adjustment of the Minimum Income Standard<sup>7</sup> for remote, rural areas of Scotland on which the proposed new fuel poverty definition is based. This reflects the higher overall cost of living in remote, rural Scotland<sup>8</sup> and the rural premium<sup>9</sup> paid by rural consumers.

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6 [Scottish Government \(2017\) Scottish House Condition Survey 2016](#)

7 The Minimum Income standard is currently based on the UK minimum income standard

8 [HIE \(2013\) A minimum income standard for remote rural Scotland](#)

9 [CAS \(2015\) Remotely Excluded: Barriers facing Scotland’s rural consumers](#)

## Programmed work

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### Project E2: Heating oil clubs in rural and remote areas

#### The issue

A recommendation of the Scottish Government's Rural Fuel Poverty Task Force was the use of heating oil clubs as a means of providing rural consumers with access to lower priced oil through collective purchasing. We undertook research in partnership with four local Citizens Advice Bureaux (CAB) to test this recommendation at a practical level by assessing the barriers and benefits of oil buying clubs in rural Scotland as a means of reducing fuel costs.

#### Research and recommendations

Across all 4 CAB regions competition between oil suppliers was found to be limited, however savings were achievable on bulk orders. Convenience, flexibility, reliability and quality of oil were found to be as, or more important than, cost for oil users. Oil buying clubs are not suitable for all Highland consumers; for example, the most common minimum delivery volume of 500 litres can be unaffordable for consumers in fuel poverty. In addition the volatility of oil prices leaves consumers vulnerable to price hikes. However, payment plans and individuals shopping around are other ways to improve oil's affordability.

Overall, we found that appropriately located oil clubs can:

- Decrease bills – theoretically by as much as 10% on a bulk order of 10,000 litres if 1000 litres is delivered per household<sup>10</sup>, or by as much as 20% based on an order of 10,000 litres split between 20 households compared to an individual order of 500 litres.
- Cut down on the number of deliveries – therefore reducing delivery costs for suppliers and associated emissions from road haulage.
- Potentially improve community cohesion.

#### Progress and next steps

The research concluded in March 2018 and in 2018-19 we are focused on advocacy work to increase the affordability of fuel in off-gas areas, including:

- Producing information for consumers on setting up an oil club.
- Encouraging the Scottish Government to promote heating oil clubs.
- Encouraging suppliers to deliver in smaller volumes (under 500 litres) where safe and practical to do so.
- Exploring ways for oil club members to access flexible payment plans or credit to allow those who struggle with upfront or volatile oil costs.
- Looking to work with stakeholders to encourage the creation of new oil clubs in order to stimulate competition.
- Exploring the potential of buying clubs for other off-gas fuels such as LPG and biomass.
- Encouraging the Scottish and UK Governments to investigate the future of heating oil in the context of the transition to a low-carbon energy system, giving closer consideration as to how oil users will be able to decarbonise.

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<sup>10</sup> If 1000 litres is delivered to 10 households in one delivery run.

## Programmed work

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### Project E3: Consumer views of the definition of fuel poverty

#### The issue

Fuel poverty currently affects 26.5% of households across Scotland under the current definition<sup>11</sup>. In November 2017 the Scottish Government published a consultation on a Fuel Poverty Strategy for Scotland which included a proposed new definition of fuel poverty. This is salient because the definition of fuel poverty is used to determine which households are considered fuel poor, and there have been calls for the definition to be used more effectively to target support to those in the greatest need. The CFU commissioned research to understand consumers' real life experience of existing fuel poverty support to ensure the new definition of fuel poverty will be effectively targeting support to those who most need it.

#### Research and recommendations

A key finding was that those who were of working age living in rented accommodation identified themselves as being most in need of fuel poverty support. This consumer group is likely to be better represented under the proposed new definition of fuel poverty<sup>12</sup> and could potentially benefit more from any support offered. Those living in rural areas also reported significant difficulties in affording energy bills. The research also concluded that the fuel poor facing greatest difficulty would benefit most from:

- > Improved provision of impartial advice for both private homeowners and social housing tenants on how to reduce fuel bills through switching (tariffs or suppliers) or using energy more efficiently.
- > Continued investment in social housing stock to modernise heating systems.
- > Increasing awareness of existing forms of financial support.
- > Increasing the financial support available, potentially through additional benefit maximisation strategies such as fuel credits.

Those who were worst affected by fuel poverty reported that an upfront cash payment to subsidise fuel costs was most desirable.

#### Progress and next steps

The CFU will use the evidence from this research, as well as project E1, to advocate for:

- > More and better targeted impartial advice for the fuel poor.
- > New income maximisation strategies.
- > An enhanced minimum income standard for remote rural Scotland as part of a new definition of fuel poverty.

We have already used the findings in our membership of the Scottish Government's Fuel Poverty Advisory Group, which plays a pivotal role in advising on the implementation of the new Fuel Poverty Strategy as it develops. Through this, and our ongoing advocacy, we expect to help improve the targeting and range of fuel poverty support made available when the new Fuel Poverty Strategy is implemented.

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<sup>11</sup> [Scottish Government \(2017\) Scottish House Condition Survey 2016](#)

<sup>12</sup> [Scottish Government \(2017\) Interim Equality Impact Assessment Record, Fuel Poverty Strategy & Warm Homes Bill](#)

## Programmed work

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### Project E4: Exploring the role of DNOs in Scotland in supporting energy consumers

#### The issue

Around a quarter of a household's energy bills go to the network companies – the companies who manage the pipes and wires bringing energy to people's homes. In Scotland this equates to around £261 per household per year<sup>13</sup>. Scotland's 2.5 million households are served by three network companies in Scotland: SSEN and SPEN, which manage the electricity distribution networks of north and south Scotland respectively, and SGN which manages the gas distribution network in Scotland<sup>14</sup> (known as the Gas Distribution Network Operator (GDN). This research reviewed how these network companies in Scotland are currently supporting consumers and how their role could change in the future to better support consumers, particularly those in vulnerable situations.

#### Research and recommendations

A key finding to emerge is that the two Scottish electricity DNOs are underperforming in terms of their social obligations compared to their counterparts in the rest of GB. This means that Scottish consumers are missing out, and particularly those in vulnerable situations whom DNOs are required to support under Ofgem's 'Stakeholder Engagement and Customer Vulnerability (SECV) Incentive'. Some of the DNOs outside Scotland perform very well when it comes to supporting their most vulnerable households. Our research indicates that a vulnerable household in a region served by one of these best performing DNOs is perhaps 20 times more likely to receive support from their DNO to manage their energy bills and improve their resilience than a similar household in Scotland.

This research concluded in March 2018, and in 2018-19 we are continuing advocacy work with this evidence. We recommend that:

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- 13** Combined distribution and network charge based on an average UK single rate consumption of 3100 kWh/y electricity and 12,500 kWh/y gas. Charges for those with electric heating (dual rate meters) or higher consumption than the UK average will have higher network charges than the referenced figure. Figures derived from [Ofgem's Regional differences in network charges \(2015\)](#)
- 14** [17% of dwellings in Scotland are estimated to be outside the coverage of the gas grid.](#)

- Ofgem improves the SECV process, with better feedback given to companies, to renew DNO confidence in the SECV incentive scheme. Ofgem should also explore how they can further encourage Scottish DNOs to perform better under this incentive beyond rewarding them less than better performing companies.
- The future of the Fuel Poverty Network Extensions Scheme (FPNES) needs to be considered by policy makers and industry. The future of the gas network is uncertain so whole system thinking is required.
- Consumer protection issues in community energy and new 'smart' services are carefully considered to avoid adversely impacting consumers.

#### Progress and next steps

We responded to Ofgem's consultation on the RII02 framework in May 2018 citing our new evidence and supporting the proposed use of consumer challenge panels. Over 2018-19 we will:

- Continue to build a constructive dialogue with network companies to improve their support programmes for vulnerable consumers.
- Use our position on network company stakeholder panels to publicise our new evidence and hold DNOs to account for their poor performance to date under the SECV in RII0-1.
- Advocate to protect the interests of Scottish consumers as network companies evolve into system operators over the coming decade.
- Advocate to protect the interests of Scottish consumers as network companies plan their investment in smart grid and low carbon infrastructure.

On the last two points in particular, we will engage with Ofgem as it develops the framework for the next price-control period for network companies (RIIO-2) in 2021 and 2023. This framework will mandate that network companies set up consumer challenge groups over the period 2018-2023. The role of the Consumer Challenge Groups will be to scrutinise companies' business plans and for example, assess how they will invest in grid infrastructure. As the main consumer voice in Scotland we are well-positioned to have a role on these groups, where we aim to ensure that consumers' needs are taken into account.

## Programmed work

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### Energy: Advice in Detail

Our annual report 'Energy: Advice in Detail' reviews the number and type of client energy issues dealt with by CAS advice services in Scotland, including the Extra Help Unit, Consumer Advice Service and Citizens Advice Bureaux (CABx). It analyses trends in reported consumer issues and infers how the energy retail market may be affecting this, offering a strong evidence base for much of our on-going advocacy work. Our energy advice provision has grown by 136% since 2011, with 29,459 issues dealt with in 2016/17.

In 2016-17, the year covered by this report, the top 5 issues across the Citizens Advice Scotland network were:

1. Billing and Metering (including administrative errors, incorrect or unclear bills, issues with 'back-billing' and inaccurate meter readings).
2. Warm Homes Discount (difficulties accessing support and criteria for support varying between suppliers).
3. Difficulty making payments (a range of complex issues can impact consumers' ability to pay for energy bills).
4. Debt and disconnections (commonly related to vulnerable clients who have accrued fuel debt and who face threatened or actual disconnection from supply).
5. Switching and transfers (referring to contracts, supplier objections and issues with transfer times when switching supplier, not the transfer not being completed).

We have worked this year to help improve the situation for consumers in vulnerable situations, carrying out research to look at the potential for either a single 'priority service register' (PSR), or a single point of registration, to be used across essential services (water, energy and post) – as detailed in project CS2. In time we hope this will reduce the number of fuel debt and disconnection issues faced by vulnerable consumers as suppliers will be able to more readily identify and support them.

In 2018/19 we will carry out more advocacy work around the reported problems of accessing the Warm Homes Discount (WHD).

Additionally, the Energy Best Deal service has delivered over 1300 specialist advice sessions to frontline staff in order for them to better advise consumers how to switch to cheaper energy tariff deals.

### Off-gas consumers: Updated information on households without mains gas heating

Mains gas is the lowest cost fuel for domestic space heating. Consumers without mains gas generally have to pay higher heating costs; electricity – for example – is about 3 times more expensive than gas. To date there has been limited investment in extending the gas grid. The UK Government and Scottish Government will need to decide over the coming years whether or not to extend the gas grid, or whether to focus efforts on decarbonising the grid, reducing electricity costs and encouraging the uptake of household renewable energy systems. Whatever the direction, mains gas is expected to remain a cost-effective part of the energy mix beyond 2030<sup>15</sup> and it is imperative that fuel costs are lowered for off-gas consumers.

We concluded a report this year that maps out the housing, socio-economic and demographic characteristics of off-gas households across GB nations using the newest data available. This report provides an update to a report that Consumer Focus commissioned in 2011. It is designed to explore how off-gas consumers might be offered 'a better deal'. The research concluded that off-grid households continue to be:

- More likely to experience fuel poverty and poor energy efficiency.
- More likely to be living in a rural area.
- More likely to include householders over 60 years old.

This up-to-date evidence will allow us to continue to advocate for a fairer deal for off-gas consumers, and to contribute to topical debates on fuel poverty, and the extension of the gas grid. By comparing Scottish housing characteristics to the rest of GB, we are able to prove how the Scottish situation is different and thus advocate for targeted provisions for Scottish consumers.

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<sup>15</sup> [National Grid \(2017\) Future Energy Scenarios](#), and [Climate Change Committee \(2017\) Report to Parliament: 'Meeting carbon budgets closing the policy gap'](#)

## Responsive and ongoing work

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### Consumer protection in the heat market

#### The Issue

By 2020 the Scottish Government's target is for 40,000 households to be on district heating networks, with further expansion thereafter. As well as potential carbon emission reduction benefits, district heating can reduce consumer bills. However, at present the district heating market in Scotland is not regulated, and consumers of district heating lack similar statutory consumer protections to those of gas or electricity consumers. This leaves them vulnerable to exploitation given that heat networks are usually local monopolies, with limited if any consumer choice.

#### What we did

Following our research in 2016-17 we recommended:

- Establishing a Scotland-wide body with responsibility for the regulation of the district heating market in Scotland.
- Investigating and providing the appropriate support for suppliers to ensure they are able to meet regulatory standards and consumer expectations.
- Investigating what mechanisms are available to introduce price controls.
- Taking account of the above, introducing a statutory license for district heating suppliers that would include compulsory consumer protection measures as well as minimum technical standards to ensure efficient operation.

#### Progress and next steps

Throughout the year we have carried out advocacy work recommending the Scottish Government introduce regulation for district heating, including a licensing regime that includes consumer protections. In December 2017 we were invited to present our findings from 2016-17 research on district heating at three Scottish Government public consultations on district heating. Following our advocacy work over the last year we are pleased to see:

- The Scottish Government is considering introducing regulation to increase consumer protection in the district heat market.
- The CMA establishing a preliminary investigation into the district heat market. The Statement of Scope for that investigation cited our Different Rules for Different Fuels report.
- The CMA subsequently recommending regulation of the heat market including consideration of a licensing scheme.

We will continue to press for a regulatory regime that effectively protects district heat consumers.

## Responsive and ongoing work

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### Fuel poverty

#### The issue

Scottish Government held a consultation on a new Fuel Poverty Strategy for Scotland in February 2018. We responded to that consultation.

#### What we did

We recommended that the strategy be built around the needs and priorities of consumers, and sought to ensure that the specific needs of those living in rural and island communities are fully taken into account. This work was informed by research that we commissioned in 2017 to examine the support needs of those in fuel poverty, which will be published later in 2018.

#### Progress and next steps

In June 2017 we published *Facing Fuel Poverty*, a report which researched the effectiveness of face-to-face advice to help consumers in fuel poverty in Scotland. One of the key recommendations of the report was for the Scottish Government to fund a pilot project delivering face-to-face fuel poverty advice with clear monitoring and evaluation goals and criteria. We advocated for this through our membership of the Strategic Working Group on Fuel Poverty and a recommendation to this effect was made to the Scottish Government by this group. Subsequently we were pleased to see the Scottish Government announcing that they would fund the 'Home Care' energy advice pilot. This pilot delivers energy advice to households in two areas in Scotland and has similar aims to those proposed in our report. Off the back of publishing our report we were asked to sit on the advisory group for the pilot programme.

### Climate Change Plan and Energy Strategy

#### The issue

In 2017 the Scottish Government consulted on the draft Climate Change Plan (CCP) and the draft Energy Strategy. The former is a critical piece of legislation that commits the Scottish Government to meeting statutory carbon reduction targets over the period 2018-2032 across various sectors, including the domestic energy sector. Connected to the CCP is the Energy Strategy, which sets out the vision to achieve these carbon emissions reductions to 2050. Both the CCP and Energy Strategy will affect energy consumers over the next 14 to 32 years and we are working to ensure that consumers are put at the heart of this policy development.

#### What we did

In 2017 we responded to the Scottish Government consultations on the draft Energy Strategy and the draft CCP, both in writing and through membership of the Scottish Government's Scottish Energy Advisory Board. Our response to the Energy Strategy focussed around putting consumers at the heart of Scottish energy policy moving forward.

Our response to the draft Climate Change Plan (CCP) highlighted our concern that the Plan assumed that consumers will change their behaviours towards lower-carbon lifestyles yet with little detail on how exactly this behavioural change would be achieved. The final CCP was published in February 2018.

#### Progress and next steps

In 2018-19 we will be working with civil servants to advocate for behavioural change modelling to be incorporated into the development of all policies that come out of the CCP. We are in a strong position to advocate for this using the evidence from our research project CS1 (see cross-sector section) which highlighted the importance of using behavioural change models to develop policies.

## Responsive and ongoing work

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### Energy Efficient Scotland Programme

#### The Issue

The Scottish Government is developing a new long-term energy efficiency programme, now called Energy Efficient Scotland (EES). EES will run to 2040: it forms a major plank of both the Scottish Government's overarching Energy Strategy and of its approach to reducing carbon emissions under the Climate Change Plan. Following our innovative in-depth consumer research in 2016-17, we have been advocating for consumers to be put at the heart of EES. We have gained cross-party support through our work with MSPs, civil servants and via our membership of the Existing Homes Alliance.

#### What we did

We emphasised the importance of learning from past schemes and getting EES' foundations right, including:

- Public acceptance and support for the objectives.
- Consumer confidence and trust in the scheme.
- Making the installation of energy efficiency measures as easy as possible for consumers by creating a one-stop shop that will support consumers to purchase and install measures, access financial support and seek redress where necessary.

We also recommended an effective incentive scheme for homeowners installing energy efficiency measures, based upon a prompt Council Tax rebate or similar. In the private rented sector, we supported phased regulation to improve standards for tenants, and called for a robust framework of consumer advice, support, protection and redress for tenants – and landlords – to support them as well in introducing the scheme.

#### Progress and next steps

- Following meetings with a range of civil servants and MSPs across political parties, we were pleased to see a number of our recommendations incorporated in the EES route map (announced in May 2018), particularly the prioritisation of consumer protection as a central tenet of EES.
- There is ongoing cross-party support from MSPs (through parliamentary questions and especially at a debate on the EES route map in May 2018) on the need for effective incentives. An earlier motion backing our proposals was signed by 27 MSPs. We also recently presented to the Cross-Party Group on Social Science.
- The EES route map is now the subject of further Scottish Government consultation to which the CFU will respond, and we shall also be actively involved in government-led working groups on consumer protection.
- Our research on household regulation and incentives has also been picked up at UK level by Citizens Advice in responding to related BEIS consultations.
- For the private rented sector, the Scottish Government is expected to lay draft regulations in 2019. The CFU will follow progress and continue to advocate accordingly, particularly around advice, support, protection and redress.

## Responsive and ongoing work

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### Consumer protection against scams

#### The issue

To encourage householders to install microgeneration and home energy efficiency measures the UK Government ran the 'Green Deal' scheme between 2013 and 2015. It was based on the premise of 'pay as you save' – that the measures are installed with a loan that the householder pays back via the savings they make on their electricity bill. However, some fraudulent traders and scams, through invoking the Green Deal brand, conned customers out of hundreds of pounds through mis-selling, high-pressure sales and other duplicitous means.

In 2017/18 some Scottish CABs reported an increasing number of clients who faced significant debts as a result of a particular 'Green Deal' installer that had allegedly mis-sold Green Deal contracts and duped customers out of receiving their feed-in tariff payment for solar electricity. These cases are particularly prevalent in South-west and central areas of Scotland.

#### What we did

We took up the invitation to be the secretariat for the Cross-Parliamentary Group (CPG) on Consumer Protection for Energy Efficiency and Renewables. The inaugural meeting was in October 2017 and a further meeting in February 2018 drew together stakeholders to discuss the issue of Green Deal scams. This CPG continues into 2018/19 and we intend to collaborate as an active working group to seek redress for Scottish consumers who have been scammed.

#### Progress and next steps

- From a policy perspective we want to learn lessons from Green Deal schemes and others like it, in order to improve consumer protection measures and redress under the Scottish Government's new Energy Efficient Scotland (EES) Programme. We will use our evidence from CABs and beyond to advocate for redress and more robust consumer protection under EES.
- We intend to run a scams awareness campaign to encourage those consumers affected by Green Deal scams in particular to seek redress via our advice services.
- We are working with the CAS' Digital Content Team to improve advice to consumers in this regard.
- We will investigate channels of redress with the relevant bodies.





# The Extra Help Unit

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**Based in Glasgow, the Extra Help Unit (EHU) has a statutory duty to help vulnerable energy and post consumers across Great Britain by investigating complaints with the relevant service providers.**

The statutory responsibilities of the Unit are stipulated in section 12 and 13 of the Consumer Estates and Redress (CEAR) Act 2007. The EHU works closely with the wider Citizens Advice Scotland and Citizens Advice (England and Wales) policy teams as well as the regulator and energy suppliers with the aim of improving practices and regulations that affect vulnerable consumers.

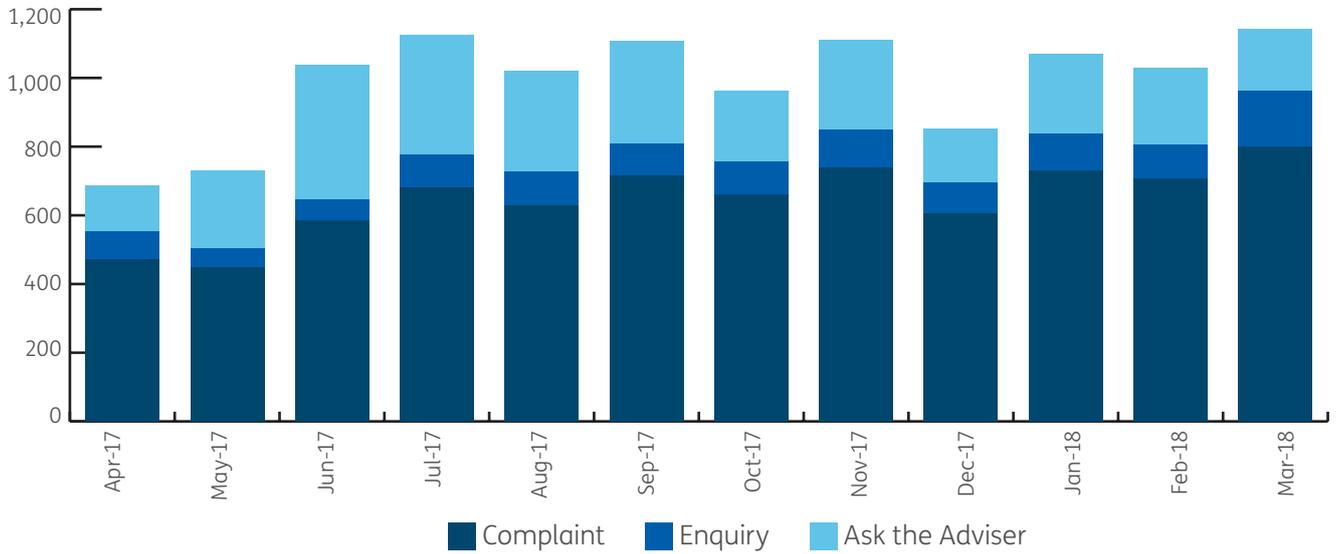
The majority of consumers are referred to the EHU by the Citizens Advice Consumer Service. Referrals can also be received from the energy Ombudsman, Ofgem, other advice agencies and elected representatives.

In addition to providing support to consumers, the EHU operates an “Ask the Adviser” service, which offers support to other advice providers, including bureaux, to help them resolve a client’s energy or postal complaint.

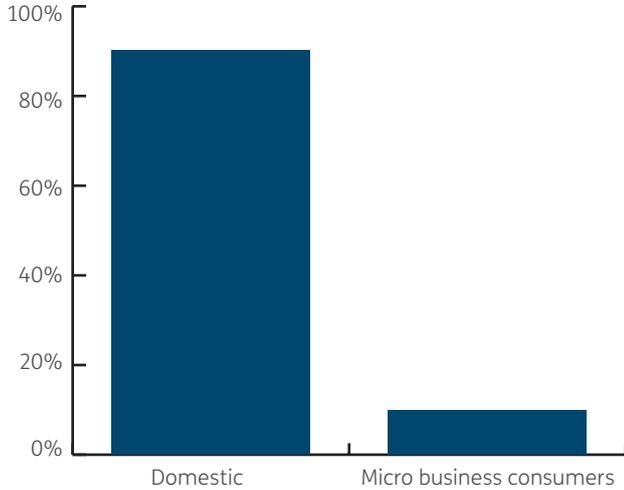
## Work volumes

The EHU logged 7,771 complaints, 1,154 enquiries and 2,950 contacts to Ask the Adviser Service.

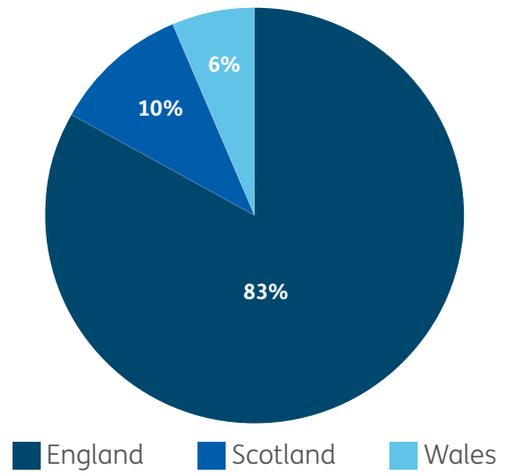
### EHU contacts



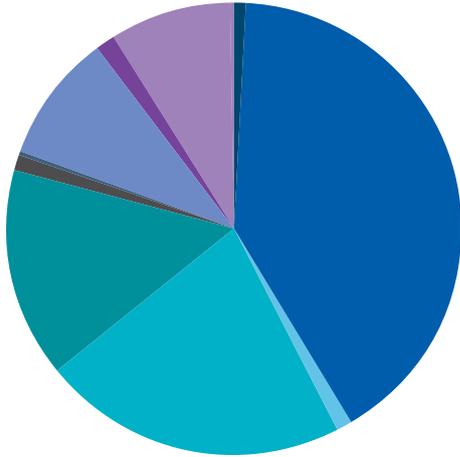
### EHU consumer type



### Geographical location of consumers contacting EHU

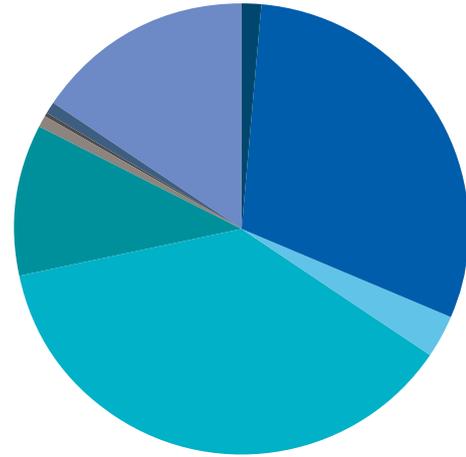


**EHU domestic themes**



Advice/information 0.8%	Post 0.2%
Billing 40.6%	Prepayment meters (PPM) 9.1%
Customer Service failure 1.1%	Smart Meters 1.6%
Debt/Disconnections 21.8%	Transfers 8.6%
Metering (general) 14.8%	Redirection failures 0%
Miscellaneous 0.1%	Royal Mail procedures 0%
Networks 1.2%	

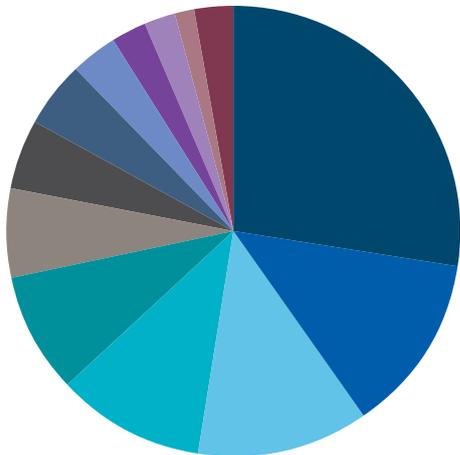
**EHU micro business themes**



Advice/information 1.4%	Networks 0.9%
Billing 30.2%	Prepayment meters (PPM) 0.3%
Customer Service failure 3%	Smart Meters 0.8%
Debt/Disconnections 37.2%	Transfers 15.5%
Metering (general) 10.8%	

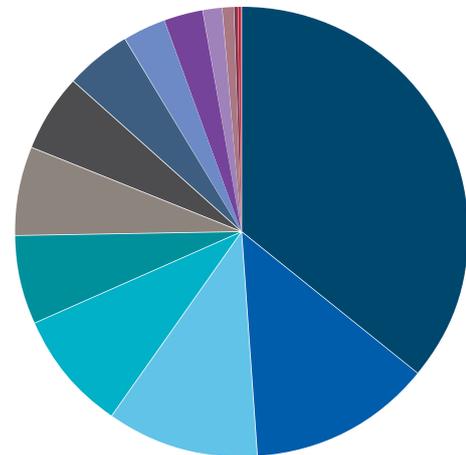
**Outcomes**

**Domestic outcomes**



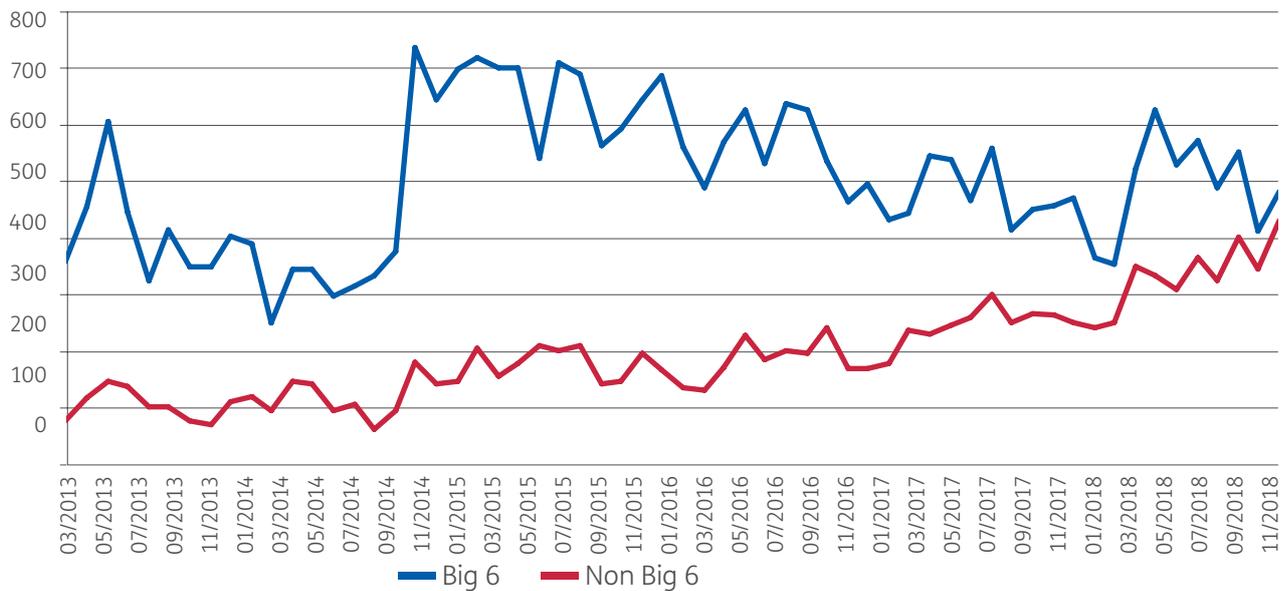
Amended Bill/Account details 27.6%	Transfer objection lifted/ET 4.9%
Goodwill 13%	PPM Key/Payment Device Issued 3.3%
Affordable Payment Plan 12%	Central Database Details Updated 2.4%
Meter Work carried out 10.6%	Re-connection 2.2%
PPM discretionary credit 8.8%	Disconnection Prevented 1.3%
Back Billing Code Applied 6.3%	Other 2.7%
Refund 4.9%	

**Micro-business outcomes**



Amended Bill/Account details 36.1%	Back Billing Code Applied 3.2%
Affordable Payment Plan 12.9%	Cheaper Tariff / Contract rates 2.7%
Re-connection 10.8%	Central Database Details Updated 1.5%
Goodwill 8.7%	Refund 0.8%
Transfer objection lifted/ET 6.5%	Distribution work carried out 0.2%
Meter Work carried out 6.3%	PPM discretionary credit 0.2%
Disconnection Prevented 5.7%	
Reduction to upfront reconnection costs 4.6%	

**Big 6 Vs small and medium suppliers**



**Trends**

Demand for EHU services has continued to increase against the backdrop of a rapidly changing energy retail market which has seen the continued emergence of new suppliers. In November 2017, 46% of EHU complaints were logged against small or medium sized suppliers, an increase of 21% against 2015. This is despite the fact they currently account for 20% of the energy market.

In order to effect positive change, the EHU carries out on-going case analysis on individual supplier performance relating to complaints activity and compliance concerns.

In the past year, the EHU has been attending regular tripartite meetings with the Citizens Advice (England and Wales) energy retail team, Ofgem and the Ombudsman Service to discuss emerging concerns affecting energy consumers, and formally referred Iresa to Ofgem, who opened an enforcement investigation.

The EHU was also cited in Ofgem’s ‘Vulnerable Consumers in the Retail Energy Market: 2017’.

The EHU continues to co-chair quarterly supplier liaison meeting and key issues discussed across the year included:

- > Self- disconnection and best practice.
- > Spotlight on mental health.
- > Smart metering: safety installation concerns and availability of meter operators.

**Case study - Self disconnection**

- > The consumer’s Employment & Support Allowance had been stopped. He was awaiting an appeal decision and would potentially be a further 3 weeks without income. He was also awaiting an operation following an accident.
- > The consumer had no funds to top up his prepayment meters and was off supply for gas and was in emergency credit for electricity with less than £2 credit available.
- > He had contacted his supplier already for help but they had not been willing to provide discretionary credit as previous assistance had already been given (£6 credit had been given a few months previously).
- > The EHU contacted the supplier and they agreed to provide £60 credit for electricity and £58 for gas, the equivalent of 3 weeks usage. This was offered as discretionary credit to be repaid at £3.65 per week.
- > The supplier also arranged to contact the consumer the following day to help apply for Warm Home Discount and arrange advice from their energy efficiency team.

**Summary of EHU Achievements – April 2017 to March 2018:**

<b>EHU Measures</b>	<b>April 2017 to March 2018</b>	<b>April 2016 to March 2017</b>	<b>Change from 2016-2017</b>
Complaints (Complaint raised with supplier as they have already had the opportunity to resolve issue.)	7,771	6943	↑ 12%
Enquiries (Supplier has not had the opportunity to resolve issue or consumer is only requiring advice.)	1,154	1245	↓ 7%
Ask the Adviser (Contacts from advice agencies looking for advice to help them resolve issues for their clients e.g. Consumer Service, bureaux.)	2,950	1101	↑ 167%
% of complaints that were priorities	26%	29%	↑ 3%
Financial Redress (includes goodwill payments, reduction to account, guaranteed standards payments.)	£2,425,657	£2,033,437	
<b>EHU Key Performance Indicators</b>			
Quality: 70% of cases quality checked categorised as green <sup>16</sup>	75%		
Quality: 90% of cases quality checked categorised as green or amber <sup>16</sup>	96%		
<b>DOMESTIC</b>			
75% of cases closed within 35 working days	73%		
90% of cases closed within 66 working days	89%		
85% Tangible Outcome (where EHU has achieved an actual change in situation from when consumer made contact i.e. account re-billed, goodwill achieved. Cases achieving a full explanation but no physical change are logged as no-change.)	86%		
85% of consumers independently surveyed satisfied or very satisfied with service	89%		
<b>MICRO-BUSINESS</b>			
75% of cases closed within 35 working days	72%		
90% of cases closed within 66 working days	89%		
75% Tangible Outcome (where EHU has achieved an actual change in situation from when consumer made contact i.e. account re-billed, goodwill achieved. Cases achieving a full explanation but no physical change are logged as no-change.)	68%		
83% of micro businesses independently surveyed satisfied or very satisfied with service	88%		

<sup>16</sup> Green score: indicates that this area has been fully met and all relevant actions were taken in order to achieve the highest level of quality. Amber score: indicates that most of the relevant actions were taken and that those actions which were missed have had an overall minimal impact on the outcome and quality of the case handling. Red score: indicates that one or more significant actions have been missed which has had a negative impact on the quality of the case and the overall outcome of the complaint

## Comments from Accent customer satisfaction survey:

- > *The Extra Help Unit and Citizens Advice are better than any of the other organisation I have gone to. Other organisations always provide endless numbers to call and Citizens Advice actually dealt with it.*
- > *They are brilliant. I would take them up if I ever needed them again.*
- > *Fantastic, they got the result I was after; I would have spoken to every branch of the energy company if it weren't for the EHU.*
- > *They listened carefully. Neutrally gave their best suggestion. Made me feel I was not a number but a human being.*
- > *They tried to understand what I was going through in regards to my health and enquiry.*
- > *Just that the lady I spoke to needs a medal.*
- > *I just found them wonderful and it's really reassuring to know there are people out there to help you, they were really wonderful the way they dealt with it.*
- > *I can't think of anything they could improve on. They handled it with care and seriousness. They were friendly. They spoke in English with no technical jargon. They spoke like I was not familiar with consumer law.*
- > *If it wasn't for that lady that day, I was sitting in the dark with no electricity so she really helped.*
- > *They made my life immeasurably easier by taking over the case and representing me*





# Post

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**Our themes for 2017-18 were letters, parcels and access to postal services, with most of our work overlapping two or more themes, rather than fitting neatly into one discrete category.**

Undoubtedly, our postal policy activity's biggest impact last year was on the issue of parcel delivery surcharging in parts of Scotland. Our research sparked debates in the Scottish and UK Parliaments, the Committee for Advertising Practice took action that we had called for through the Consumer Protection Partnership, and a number of postal operators have committed to working with us to improve the situation. The interest in this issue from a number of different quarters enabled considerable momentum. We would like to thank members of the Consumer Protection Partnership, the industry representatives, as well as the individual elected representatives who dedicated their time and resources for contributing to these successes so far, and continuing to engage with us.

Alongside the headlines that our surcharging work generated, we also carried out other important research and advocacy on behalf of Scottish SMEs (small and medium enterprises), Post Office consumers, and those who rely on Royal Mail's Universal Service Provision.

Our research into the postal service needs of Scottish SMEs showed stark disparities between rural and urban provision of postal and other communications services, and that a significant proportion of SMEs across Scotland may not have access to meaningful choice in the postal market. These findings have formed the basis for follow-up advocacy work this year.

We took the conclusions of our research on Post Office Outreach services direct to Post Office Ltd (POL) at the dedicated, quarterly Post Office Advisory Group meeting,

where we pushed for improved communication about, and monitoring of, these services. We will continue to pursue this issue.

In addition to our planned projects, 2017-18 – like most other years – saw the postal policy team analyse and respond to external policy developments. Most notably, this included the UK Government's funding package to secure the future of the Post Office network, Ofcom's consultation on recovering postal consumer advocacy costs, and the drawing to a close of Network Transformation (POL's network modernisation programme).

The conclusion of Network Transformation also brings with it the end of the existing agreement on community engagement and network monitoring between the UK's consumer advocacy bodies and POL. Alongside our counterparts in the Consumer Council for Northern Ireland (CCNI) and Citizens Advice (CitA), Citizens Advice Scotland secured a new agreement. The new Memorandum of Understanding between CAS, CCNI, CitA and POL obliges POL to communicate with local communities on changes to local Post Office provision, and enables ourselves, CitA and CCNI to keep monitoring the Post Office network.

One of the key market trends throughout 2017-18 was the continuing rise of online retail, including higher consumer expectations in relation to delivery price, speed, security, flexibility and tracking options. This shaped the planning of our work for 2018-19, particularly our joint project with the Consumer Council for Northern Ireland and Citizens Advice on complaints in the postal industry.

## Programmed work

### Project P1: Understanding the postal service needs of SMEs in Scotland

#### The issue

Scotland is home to over 360,000 SMEs, accounting for 99.4% of all private sector enterprises here<sup>17</sup>. Research we conducted in 2016 showed anecdotal evidence that the priorities for SMEs can be very different to those of individual consumers, but our research to date has mostly focused on the latter. To better understand and represent Scottish SME consumers we looked to existing surveys on SME use of postal service, such as that carried out by Ofcom on a UK basis, and previous work carried out by Citizens Advice on a GB basis. While previous work included Scottish SMEs in their samples, the size of the Scottish SME sample was not substantial enough for us to carry out analysis on differences within Scotland. We addressed this by commissioning research into the postal service needs of Scottish SMEs, with a robust enough sample size for analysis.

#### Research and recommendations

We published a report summarising the conclusions from our research<sup>18</sup>. Key findings included:

- Almost 1 in 5 Scottish SMEs saying they could not function without post, and 72% describing the Post Office as “very” or “fairly” important to their business.
- A significant lack of awareness of suppliers other than Royal Mail and Parcelforce UK for postal services, meaning SMEs lack meaningful choice as consumers.
- SMEs who say post is core to their business being twice as likely to report having poor broadband, compared to those for whom post was not core (26% vs. 13%), with a third of all Scottish SMEs reporting variable or poor broadband quality.
- Significant regional disparity in perceived choice and provision, for both post and broadband.

The biggest difference we found amongst Scottish SMEs, as compared to findings from GB-wide research, was the frequency of Post Office visits in a week, suggesting that Scottish SMEs may be more reliant on the services Post Offices provide than the average GB SME. Following those findings, we recommend that:

- Scottish and UK governments, and the communications regulator Ofcom, consider Scottish SMEs as well as residential consumers in their decision making on communications policy, particularly those in rural areas.
- Ofcom, Royal Mail and Post Office maintain current levels and affordability of service for Scottish SMEs.
- Non-universal service providers work to improve awareness of their offerings, allowing Scottish SMEs a more meaningful choice of postal service providers.

#### Next steps

Over 2018-19, we are sharing the findings from this research to improve access and choice to postal services, and other communication services, for Scottish SMEs. This includes:

- Providing written evidence to the Scottish Affairs committee on digital connectivity.
- Working with industry stakeholders and the Scottish Government on ways to improve postal services for rural consumers, including SMEs.
- Persuading postal companies to engage more effectively with Scottish SMEs.

The findings also demonstrate the value of being able to conduct within-Scotland analysis, so we hope Ofcom and others will explore whether their Scottish sampling can be expanded in future to make more efficient use of surveying and research opportunities. If successful, this would allow savings from these efficiencies to be invested into addressing other areas of detriment.

The satisfaction with the current service offered from Royal Mail amongst Scottish SMEs was high, so we are pleased that Royal Mail agrees the current Universal Service Obligation specification (which commits Royal Mail to some of the highest postal service levels in the world) is the right one. However, we will encourage them to consider some of our more detailed findings around collection convenience for SMEs.

Postal services and broadband are tied up together in online retail. This is an area in which many Scottish SMEs are active, either as sellers of their own goods, or as purchasers of goods they cannot access locally, or at such a competitive price. While provision of broadband services remains patchy, businesses can suffer. For example, Scotland’s Rural College found that removing digital constraints from rural businesses could add at least £1.44bn to rural business turnover in Scotland

<sup>17</sup> [Scottish Government \(2017\) Businesses in Scotland – Headline Figures](#)

<sup>18</sup> Report due for publication summer 2018.

## Programmed work

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### Project P2: Improving access and choice for consumers affected by delivery surcharging

#### The issue

We know from our previous work, and the experience of Trading Standards in affected Local Authorities, that parcel delivery surcharging in some parts of Scotland is a persistent consumer issue. Despite efforts from UK and Scottish Governments, and improvements in some areas (such as an apparent decrease in the number of cases where delivery is refused altogether on the basis of location), the problem remains. Our research from 2016-17 concluded that a co-operative and collaborative approach with industry and the public sector was needed, so we pursued this in 2017-18.

#### What we did

After compiling and analysing the findings from our 2016-17 research that showed the impact of surcharging, and the rationale from industry, we published a report in December of 2017. We presented the findings and recommendations of *The Postcode Penalty: Delivering Solutions* in a number of different forums – to elected representatives, government officials, industry representatives and the regulator, Ofcom.

#### Progress and next steps

Our advocacy work on this issue:

- Sparked debates in both UK and Scottish Parliaments.
- Attracted ministerial level interest in both Scottish and UK Governments.
- Formed part of the Consumer Protection Partnership (CPP)'s project and recommendations.

- Was the basis for oral evidence given by CAS at the Scottish Affairs committee, leading to the committee chair including our recommendation in a letter to the UK Government Consumer Minister.
- Included calling for the CPP to co-ordinate efforts to reduce misleading language, and support enforcement action. This came to fruition in April 2018 when the Committee for Advertising Practice sent enforcement notices to retailers whose advertising around delivery was non-compliant.
- Led to successful engagement with parcel delivery companies, beginning with a facilitated meeting in Inverness where attendees agreed to support a number of actions.
- Contributed to eBay's announcement to set up a dedicated reporting channel for consumers who encounter misleading advertising or surcharges being added once a transaction has taken place.

This advocacy carries on in 2018-19. With real, demonstrable progress on this issue for the first time in many years, we look forward to the day when no-one in Scotland is misled by “free UK delivery” advertising, and delivery charges are proportionate, consistent and affordable. Consumers in surcharged areas are currently asked to pay around 30% more on average than those in the rest of the UK, and have to waste time and energy shopping around if they don't want to pay the charge. Any progress saves money and time for consumers who live in the areas affected – around 1 million people in Scotland.

Our focus now is on collaborating with members of the CPP and other relevant partners to bring parcel companies and online retailers together to agree improvements. In particular, we will explore whether promoting and/or expanding Pick Up and Drop Off point (PUDO) provision could help the issue, and how good practice from retailers could be recognised, as well as bad.

## Programmed work

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### Project P3: Developing an evaluation framework for Post Office Outreach services

#### The issue

Post Office Outreach services perform a unique function, maintaining crucial access to lifeline services provided by Post Offices on a regular “pop-up” basis, where a typical branch would not be sustainable. Post Office Outreach service numbers have more than doubled since first introduced and now make up more than 10% of the total Post Office network (equating to around 130 service points in Scotland). These “pop-up” branches provide access to Post Office products and services in some of the UK’s most remote and isolated communities, at a fraction of the cost of a permanent branch. There is no standardised monitoring or evaluation of Post Office Outreach services to match their increased presence, and a number of case studies where communication or service provision has fallen short of expected standards suggest this should be addressed.

#### Research and recommendations

In 2017-18 we published our *Keeping Communities Connected* report<sup>19</sup>, summarising our findings

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<sup>19</sup> [CAS \(2018\) Keeping communities connected: consumers views on Post Office Outreach services](#)

from 2016-17 research. This was the first step in improving information about, and monitoring of, Outreach services. This intelligence will help improve the consistency and quality of services. Based on in-depth research, it tells us what consumers would expect from and value in a Post Office Outreach service, as well as covering an incidental finding – that awareness of Outreach services are very low, even amongst the consumers they aim to provide for.

#### Progress and next steps

- We took these findings, and our resulting recommendations, directly to Post Office Ltd by presenting them to the Post Office Advisory Group.
- We plan to work with POL to implement our recommendations, drawing up a framework for Outreach Services and improving Post Office Outreach communication and contingency planning. The local instances of inconsistent service or gaps in communication we witnessed this year will be used as crucial case studies when advocating for improvements.



## Responsive and ongoing work

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In 2017-18, the CFU postal policy team advocated on behalf of consumers in over 50 different engagements with industry, government, regulators, and elected representatives. We spoke up for consumers in eight consultation responses and submitted oral and written evidence to two different Scottish Affairs Committee inquiries. We also raised awareness of postal consumer issues in local and national media on a number of occasions.

This resulted in:

- The Consumer Protection Partnership agreeing to co-ordinate work related to parcel delivery surcharges across the UK, and significant support from the Competition and Markets Authority on this issue.
- The chair of the Scottish Affairs committee including our recommendation on parcel delivery surcharges in their letter to the Consumer Minister, Andrew Griffiths MP<sup>20</sup>.
- Ofcom consulting on a new proposal to recover consumer advocacy costs, in line with our recommendations.

The new consultation from Ofcom will have closed by the time this report is published and a statement from Ofcom on their final decision should be published later this year. Our engagement with the Consumer Protection Partnership on the issue of parcel delivery surcharges, supported by those who had compiled complaints information, has led to enforcement notices being sent out to online retailers whose advertising is non-compliant.

2017-18 also saw a statement from UK Government on the future of the Post Office network, following a consultation that we responded to in 2016-17<sup>21</sup>. This statement coincided with the announcement of another £370 million in government funding for the Post Office network over the next three years. In line with our response, the UK Government agreed that:

- The Post Office network's current access criteria (which we said was the minimum standard for what a nationwide network of branches should look like) should be maintained. This means that 99% of the UK population will continue to be within 3 miles of a Post Office.
- Community involvement in local Post Office branches is welcome, but trained staff should not be replaced with unpaid volunteers.

We also suggested that widening the current financial services offering by Post Offices would be welcome, and were pleased to see that Post Office Ltd and government are already exploring access to Credit Union accounts in branches.

Much of CAS' work is proactive and preventative in nature. While this is harder to quantify than the work we do around consumer redress and addressing existing issues, it is equally important. One example of this work in 2017-18 is the process of agreeing a new set of principles for Post Office Ltd to follow when engaging with consumers on branch changes. A previous arrangement agreed as part of Network Transformation – Post Office Ltd's modernisation programme – was due to end with the winding down of that programme, leaving no requirements to engage on any future branch changes. In partnership with Citizens Advice (England and Wales) and the Consumer Council for Northern Ireland, all three consumer bodies have now agreed the following with Post Office Ltd. (POL):

- The Principles of Community Engagement – a set of standards POL must follow in the event of changes to branches. Most crucially, it obliges POL to engage with local communities and consider feedback.
- A Memorandum of Understanding – between the consumer advocacy bodies (ourselves, Citizens Advice and the Consumer Council for Northern Ireland) and POL on working together after the conclusion of Network Transformation. This secures our ability to advocate effectively on behalf of consumers.
- A data sharing agreement – this allows the consumer advocacy bodies to continue monitoring and analysing changes to the network, on behalf of all UK consumers.

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<sup>20</sup> [Scottish Affairs committee \(2018\) Letter from Chair to Minister Andrew Griffiths MP](#)

<sup>21</sup> [UK Government \(2017\) Government Response to the 2016 Post Office Network Consultation](#)



# Water

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**In 2017-18 the CFU's water team worked on behalf of consumers in a broad range of areas, and saw meaningful success when Scottish Water adopted a number of our recommendations.**

They also agreed to partner with us in promoting the development of a set of consumer focused principles within Scottish Water to drive better outcomes for 2.5 million households.

Our research and advocacy addressed areas like water quality, water affordability and resilience but perhaps the common thread in most of our 2017-18 work concerned communication. Consumer engagement and limited access to information are factors in a number of water industry issues, so we looked into ways they could be improved.

We helped develop comprehensive support for those responsible for managing private water supplies, including providing a “one-stop-shop” for information. This enables communities to improve their drinking water quality in line with safety standards<sup>22</sup>.

An ongoing issue over recent years has been that of water debt. While in some cases, this is a matter of affordability related to stretched household

budgets, the lack of awareness around liability to pay water and sewerage charges (even if eligible for a 100% council tax reduction) suggests that the presentation of billing information could be improved. We undertook different strands of work in relation to water debt and affordability in 2017-18, including efforts to improve the financial and advice support, ensuring it's targeted towards those who need it most.

The non-domestic water market in Scotland is becoming increasingly complex, and we also work on behalf of non-domestic consumers. In 2017-18 this focused on Third Party Intermediaries, or TPIs. TPIs bundle a number of utility services together from different suppliers, aiming to provide convenience to the consumer they deliver those services to. However, they are not subject to the same regulatory conditions as licensed utility providers, meaning there is limited deterrent against bad practice. We researched the issue and brought recommendations to industry and the regulator.

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<sup>22</sup> [The Water Intended for Human Consumption \(Private Supplies\) \(Scotland\) Regulations 2017](#)

Returning to the theme of effective engagement, Scottish Water took up our recommendation to develop a comprehensive and effective community engagement strategy. This will support the creation of more resilient communities who can work with Scottish Water to cope with risk (e.g. flood risk) and the impact of, for example, delivery of investment work. We are seeking stronger partnerships between communities and Scottish Water.

Amongst the most crucial successes related to consumer engagement in 2017-18 was the establishment of the Customer Forum. The Forum ensures the consumer's voice is at the heart of Scottish Water's business planning process for 2021-27 and that policy and services are designed around consumers' needs.

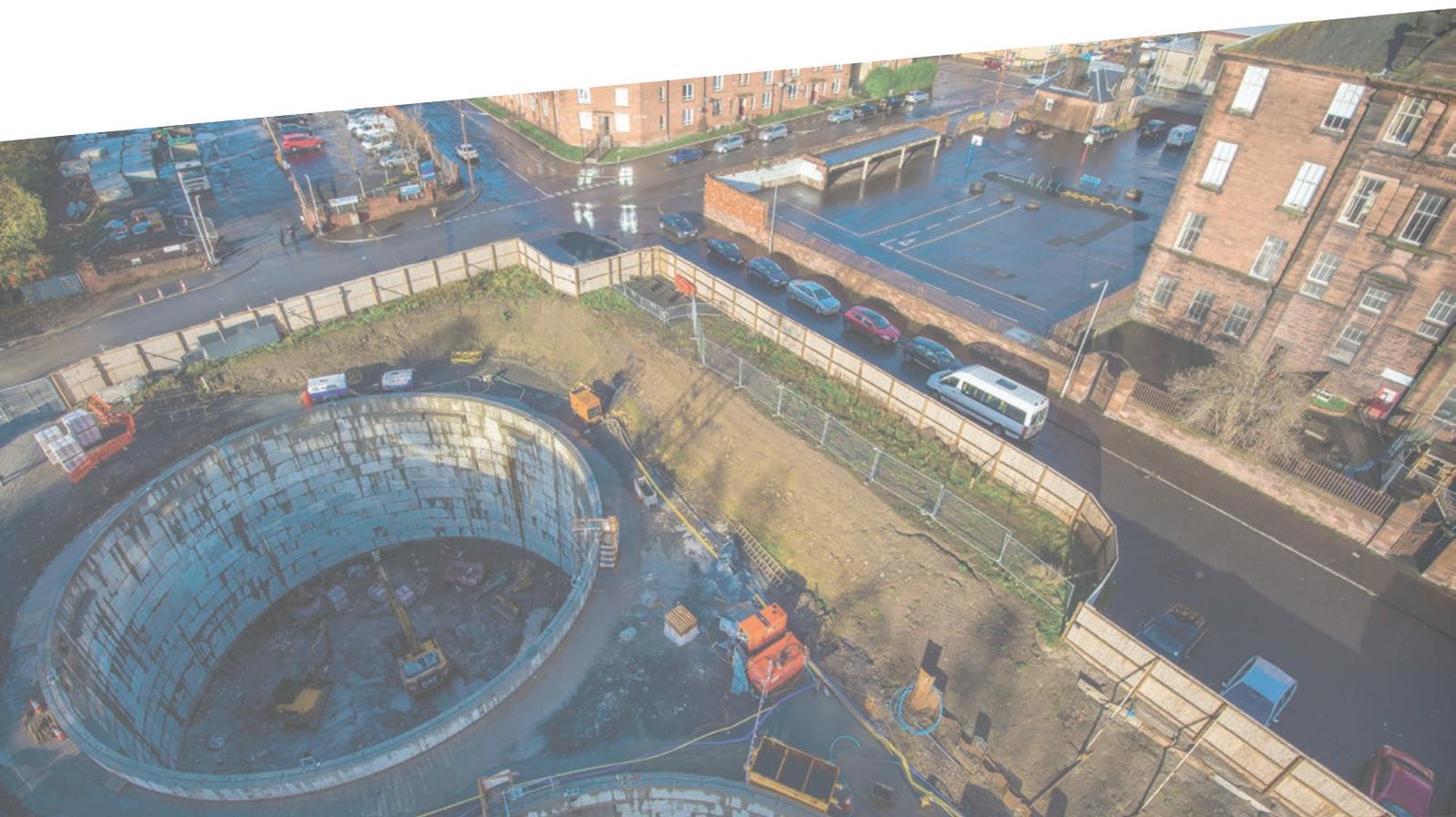
But of course, we've seen numerous other successes in 2017-18 achieving real impact for consumers. These include:

- Scottish Water accepting the recommendations from both the CFU's Untapped Potential and Riding the Waves reports, and working with the CFU to revise its Consultation Code and strengthen its community engagement policy and strategies.
- Using CFU research to secure a commitment from water industry stakeholders to:
  - review water and sewerage charging policy
  - identify a more effective way of supporting consumers struggling to pay

- The Drinking Water Quality Regulator (DWQR) launching an online Information Hub that will benefit 182,000 private water users, implementing the CFU recommendations from our joint research in 2017-18 which set out the need for more accessible information for consumers so they can improve their private water quality.
- Ofwat and WICS (Water Industry Commission for Scotland) recognising the need for greater regulatory empowerment to adequately protect all non-domestic water and sewerage consumers within an increasingly complex market. This followed the presentation of our research findings on the subject at a CFU conference and workshop for industry stakeholders.
- The successful development of a toolkit that helps bureaux advisors better support those in debt for water and sewerage charges. In 2018-19 this will be made available to 60 bureaux and over 2,500 advisors and volunteers, improving advice services for people in Scotland who are in debt for water and sewerage charges (In 2015, this was almost 500,000 households<sup>23</sup>).

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23 [CAS \(2015\) Sink or swim: consumer experience of water and sewerage debt](#)



## Programmed work

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### Project W1: Establishing and supporting a new Customer Forum

#### The issue

Scottish Water serves 2.5 million households and currently invests approximately £0.5 billion per year in infrastructure, capital maintenance and services for consumers. Our role is to ensure consumers are at the heart of Scottish Water’s Business Plan. At present the company is developing its Business Plan for the 2021-27 regulatory period.

#### What we did

Following the tripartite agreement between WICS (Water Industry Commission for Scotland), Scottish Water and CAS to establish the Customer Forum, tasked to directly represent the interests of consumers in the development of the Business Plan, we:

- Jointly appointed and set up the Forum. We are providing it with ongoing support both through a joint Research Coordination Group with Scottish Water and the Forum, and by working directly with the Forum.
- Used our research and evidence to inform the work of the Forum, including consideration of how Scottish Water can engage more effectively with communities, increasing consumer influence on decisions that affect them.

- Are working in senior stakeholder groups to consider strategic issues relating to the SR2021-27 review. This includes longer term capital maintenance and investment, industry transparency and visibility, intergenerational charging and resilience.

#### Progress and next steps

The work of the forum is ongoing, but working in partnership with the water industry has allowed us to influence Scottish Water’s policy development and prioritisation process and highlight:

- The need for a longer-term strategic vision for Scottish Water, its objectives and infrastructure, and capital investment needs.
- A balanced and stable charging policy that ensures the costs of infrastructure and service delivery are fairly distributed between consumers, and across generations, while protecting those least able to pay.
- The need for Scottish Water to increase its visibility to, and engagement with, consumers and communities. This would enable Scottish Water to explain the work it carries out for consumers, and evidence how consumers have influenced what it has delivered.

## Programmed work

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### Project W2: Targeted support for consumers struggling to pay

#### The issue

Water and sewerage charges should be affordable to all consumers, but are not. Not all consumers find the charges affordable, and often payments will displace essential goods and services such as food or energy. Some consumers are in significant debt related to unpaid water and sewerage bills.

#### What we did

Building on our previous work<sup>24</sup> we conducted research for the Scottish Government's Long Term Charging Group to better understand the characteristics of households that are most likely to struggle to pay for water and sewerage charges. The research found that:

- > Income, rather than Council Tax banding, is the main indicator of households facing affordability constraints.
- > 84% of households in the lowest income decile and 33% of households in the second lowest decile are spending more than 3%<sup>25</sup> of disposable income on water and sewerage.

#### Progress and next steps

The CFU is working with key stakeholders including the Scottish Government, WICS and Scottish Water to review the current tariff structure and identify how more support can be targeted to those that need it most.

Targeted support, of the sort we recommend, will:

- > Provide relief to households struggling to pay for their water and sewerage charges.
- > Help prevent households getting into debt.

This has additional benefits, beyond the purely financial. Debt can trigger anxiety or depression<sup>26</sup> and around 50% of those struggling with any kind of debt also have a mental health issue<sup>27</sup>. The combination of targeted support and improved advice services helped by the CFU's toolkit could alleviate debt, and also help alleviate debt-related anxiety.

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<sup>24</sup> [CAS \(2015\) Sink or Swim: consumers' experience of water and sewerage debt](#)

<sup>25</sup> Fitch and Price (2002) Defra report 'Water Poverty in England and Wales'. The 3% and 5% thresholds were originally identified in research by DEFRA. DEFRA chose 3% as an indicator of water affordability on the basis that household median spend on water was less than 1.5%. Spending on water above twice the median is seen as indicative of an affordability constraint. The 3% and 5% targets were subsequently adopted by OFWAT.

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<sup>26</sup> [Mental Health Foundation \(accessed 2018\) Debt and Mental Health](#)

<sup>27</sup> [National Debtline \(2017\) Debt and Mental Health Factsheet](#)

## Programmed work

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### Project W3: Resilient rural consumers and communities: wider benefits of an appropriate support framework for rural areas

#### The issue

There are 22,118 registered private water supplies (PWS) in Scotland<sup>28</sup>, serving approximately 182,000 people in their homes and/or at work in mostly rural or rural-remote areas. Many private drinking water supplies fail to meet the minimum required quality standard<sup>29</sup>, which poses a health risk to those consuming the water. CFU research in 2016-17 identified the need for more consistent and accessible information on the rights and responsibilities of private water communities.

#### Research and recommendations

In partnership with the Drinking Water Quality Regulator (DWQR) we carried out research to identify appropriate support mechanisms that would effectively meet the needs of private water communities. Research highlighted a lack of:

- Trust of public bodies within communities.
- Understanding of water quality standards and enforcement.
- Technical and financial capacity to improve water quality.
- Awareness of water quality issues and their risk to health.

To address this we recommended that:

- Information and support to private water communities be improved in order to raise the standards of their water supplies.
- Stronger partnerships be built between communities and public bodies to support water quality improvement.
- A more comprehensive and transparent strategy, offering viable technical solutions to private water communities to improve water quality, be developed.

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<sup>28</sup> DWQR. (2017). [Drinking Water Quality in Scotland 2016: Private Water Supplies.](#)

<sup>29</sup> 'Many private water supplies suffer from inadequate treatment and poor or variable raw water quality. Consequently, compliance with the standards for drinking water quality is often much lower than for Scottish Water's public supplies.' [DWQR \(2016\) 5.36% of Type A supplies and 1.78% of Type B supplies failed in 2016](#)

#### Progress and next steps

Following our work with DWQR:

- An Information Hub for users of PWS, hosted by the Scottish Government, has been developed and launched<sup>30</sup>. This implements our recommendation on information being improved.
- A coordination process has been established between the CAS Digital Advice Content Team and the Drinking Water Quality Regulator to ensure consumers benefit from the most up-to-date information on PWS issues.

The CFU will continue to support water industry stakeholders in the development of a comprehensive support framework for private water communities, empowering them to improve their water quality and reduce health risks.

Our work to date has highlighted the importance of PWS users having appropriate technical solutions for their specific water quality circumstances. In 2018-19 we are undertaking further work looking at how consumers choose PWS technology to inform the development of appropriate and affordable technical solutions that are likely to be taken up by private water users.

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<sup>30</sup> Information Hub can be found at the following link: <https://www.mygov.scot/housing-local-services/water-supplies-sewerage/private-water-supplies/>

## Programmed work

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### Project W4: Understanding and protecting consumer trust in the non-domestic market

#### The issue

There has been competition in the non-domestic water market in Scotland since April 2008. In April 2017 the English non-domestic water market was also opened to competition. Non-domestic consumers in both countries are now able to shop around for water and wastewater services, including through third party intermediaries (TPIs). These TPIs offer consumers bundled utility services such as gas, electricity, telecoms and water. However in the water sector regulators do not have the authority to regulate TPIs directly, leaving consumers at risk of malpractice or mis-selling

#### Research and recommendations

We commissioned research to explore consumer protection in the Scottish and English non-domestic water and wastewater markets, particularly when TPIs are involved. We found:

- > That 36% of non-domestic business in the UK water market comes through TPIs and that this is likely to rise.
- > TPIs can make the market simpler to navigate for consumers and potentially bundle services more cheaply.
- > However, industry stakeholders express concerns about TPIs in the water sector including:
  - A focus on profit at the expense of meeting consumers' needs.
  - Potential mis-selling or unfair quoting.
  - A lack of transparency.
  - A lack of knowledge of the industry.
  - A lack of regulation covering TPIs.

Our recommendations were:

- > TPIs could enhance consumer protection by publically committing to standards set out within the Code of Practice.
- > Regulators, such as Ofwat and WICS, could help to protect non-domestic customers by promoting a voluntary TPI Code of Practice.
- > Licensed providers could stipulate that the TPIs they conduct business with must sign up to the industry's non-domestic Code of Practice, publically adopt a set of consumer principles, and join trade bodies.

#### Progress and next steps

We presented the TPI research at our annual non-domestic water market conference and workshop for industry stakeholders. During discussion, attendees identified the need for increased regulatory powers to better protect 139,000 Scottish non-domestic consumers from poor practices. WICS will shortly launch a Code setting out how a licenced provider should conduct business with its customers. This should improve consumer protection from poor practices.

Our advocacy in 2018-19 will focus on fair treatment of customers by service providers and improving service standards, which will deliver better outcomes for consumers in the non-domestic market.

## Programmed work

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### Project W5: Widening the Evidence Base

#### The issue

Water Direct is a scheme that allows local authorities to take direct deductions from people's benefits for past water debts plus future water charges. Sometimes people are not told they have been put on Water Direct, and only find out when they visit a CAB because their benefit payment is lower than normal. The application of Water Direct and its impact can be severe on those struggling to pay water and sewerage charges. We also know that awareness of water and sewerage charges being separate from Council Tax charges can be low, and that water and sewerage debt cases are not always recorded separately from Council Tax debt. 2 in 10 Scottish consumers do not know who collects payment of water and sewerage charges, and almost 4 in 10 do not know who supplies water and sewerage to homes in their area. Crucially, only 41% of Scottish people believe that they are still liable for water charges, even if eligible for a 100% Council Tax reduction<sup>31</sup>.

#### What we did

In 2017-18 we funded four local bureaux pilot programmes to raise awareness of and address water and sewerage debt, facilitating partnership working with local authorities. These pilots have informed the compilation of a comprehensive toolkit that can be rolled out to other bureaux to support:

- > improved awareness of debt,
- > better support for clients in debt and
- > more cases being reported that will inform policy development.

#### Progress and next steps

The partnership working between the four CABx and their local authorities has improved awareness of the need for, and design of, more supportive debt recovery practices. The toolkit, created for use by all Scottish Citizens Advice Bureaux, will equip them to support clients in debt over water and sewerage charges, and will be launched in June 2018.

Over 2018-19, in partnership with local authorities, we will also develop more supportive water debt recovery methods that protect vulnerable consumers.

In Fife, positive partnership working between Fife Council and Citizens and Advice and Rights Fife has resulted in:

- > Greater relief for clients in debt for water and sewerage charges.
- > An increase in revenue for the local authority.

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**31** The respective answers are the local authority and Scottish Water. These figures are taken from our most recent CFU annual consumer tracker survey. The full results of the survey will be published later in 2018, once we have concluded initial analysis.

## Responsive and ongoing work

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2017-18 saw 11 consultations responded to on new Scottish and EU legislation, regulatory policy and service delivery, and the CFU representing the interests of water consumers at more than 100 stakeholder meetings and events; this included engaging with politicians, government, regulators and companies to improve things for consumers.

Our more responsive water and sewerage work in 2017-18 tended to fall into four themes. More detail on each can be found below.

### Theme 1 – Improving community engagement and consultation

#### What we did

In 2017-18 we published an Insight report, ‘Untapped Potential’, based on 2016-17 research into how consumers engage in water and environmental issues, and how this engagement can be increased. Recommendations included:

- Scottish Water needing to support consumers to better understand the role they have in protecting public services and the environment.
- Scottish Water adopting broader strategies for engaging communities and individuals in water and the environment
- Scottish Water committing to supporting the development of stronger, more empowered and resilient communities.

#### Progress and next steps

Scottish Water has agreed with all of our policy recommendations from this work, and is now working with the CFU to develop internal policy that increases the consumer’s voice in decision making.

This will develop a stronger relationship between Scottish Water and those impacted by its activities, and greater consumer awareness of how appropriate use of water services and infrastructure protects the water environment, as well as limiting costs, and therefore bills. Improved engagement around, and awareness of, infrastructure issues should help prevent fatbergs, sewage debris on beaches and reduce the £6m cost of the approximately 35,000 sewer blockages every year from inappropriate disposal of household waste (e.g. wet wipes, fats and oils). Scottish Water has asked the CFU to work with it to redraft its Consultation Code, which sets out its commitment to public engagement.

### Theme 2 – Community Engagement in Capital Investment Projects

#### The issue

Scottish Water spends £0.5bn per year on capital investment and maintenance. Improving community engagement in the development of those projects will result in outcomes that are better aligned to the needs of consumers and communities.

#### What we did

During 2016, the CFU evaluated Scottish Water’s community engagement during the design and delivery of measures to prevent flooding, against those of other public bodies. We then developed a recommended framework<sup>32</sup> in 2017-18 for community engagement in flood risk communities. This framework uses a clear set of consumer engagement principles that promote appropriate methods to engage consumers in decision making. Each principle has associated measures of good practice, and a responsible party. The principles include the following:

- Engagement should aim to make a difference.
- Organisations should know who their consumers are.
- Methods of engagement should be accessible.
- Consumers should be kept informed.

#### Progress and next steps

Scottish Water:

- Accepted the framework we recommended for engaging with flood risk communities specifically.
- Wishes to use the consumer engagement principles more widely within its community engagement strategies.

The development of strengthened and appropriate methods of engaging with communities will result in better identification of community needs, enabling those to be aligned with project processes and outcomes. In 2018-19, the CFU is working with Scottish Water on a revised Consultation Code and also on supporting the development of comprehensive consumer engagement policy and strategy.

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32 [CAS \(2018\) Riding the Waves: Keeping the community on board](#)

## Responsive and ongoing work

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### Theme 3 – Strategic Review of Charging (SRC) Joint Stakeholder Innovation

#### Context

SW has around 4500 live projects in the current regulatory period, designed to maintain and improve customer services. The Customer Forum and stakeholder engagement process is viewed as an international exemplar approach. Over 2017-18, the CFU, along with other key water industry stakeholders, has participated in the Organisation for Economic Co-operation and Development (OECD)'s live review of the innovative SRC process for the 2021-27 regulatory period.

#### Progress and next steps

Taking part in this process has:

- > Introduced new ideas and more rigorous testing of assumptions and existing process to the water industry.
- > Influenced investment priorities and culture as well as improving partnership working and identifying common goals across industry stakeholders.
- > Improved stakeholders understanding of each other's roles and priorities.
- > Identified aspects of the SRC process that could be improved by more transparent and collaborative working, including the identification and prioritisation of capital investment projects.

### Theme 4 – Closing the loop: non-domestic water service issues

#### The issue

Some non-domestic customer issues cannot be resolved by the licensed provider, particularly if they relate to connections or meter size, and can only be resolved by Scottish Water. Poor resolution of these issues between the licensed provider and Scottish Water leads to customers escalating complaints against their licensed provider to the public ombudsman.

Currently there is no process in place to check how satisfied customers are with how their issue has been dealt with by the water industry and therefore no comprehensive process to identify where more is required to resolve recurring issues of this nature. Furthermore, within current legislation, the Scottish Public Services Ombudsman (SPSO) which deals with second tier complaints, is only able to address individual complaints and follow these up with the licensed provider and not Scottish Water, whilst WICS is only able to investigate systemic issues. SPSO has highlighted a number of recurring non-domestic issues to the CFU that relate to Scottish Water, but to date haven't engaged with WICS on these issues.

#### What we did

The CFU identified that for customers, there is no process in place within the water industry to ensure that non-domestic customers are satisfied with how their complaint has been dealt with where resolution of an issue lies with Scottish Water rather than their licensed provider.

#### Progress and next steps

We will work with water industry stakeholders to ensure that a more holistic review of customer satisfaction within the non-domestic sector is introduced.



# Cross-Sector

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**In 2017-18, our cross-sector work covered a range of areas, but always with the aim of providing robust evidence that puts consumers first in the development of corporate, regulatory and government policy.**

With the devolution of consumer advocacy, our 2017-18 work was planned independently from Citizens Advice (England and Wales) for the first time. This allowed us to focus on issues that particularly affect Scottish consumers while still collaborating with Citizens Advice and the Consumer Council for Northern Ireland on GB and UK issues. Learning from our consultation process in 2016-17 for that first independent work plan, we refined our approach in 2017-18 for this year's work plan (2018-19).

Last year's highlights include:

- > Concluding research on consumer behaviours and climate change (although we will continue our advocacy work in this area).
- > Beginning research on the experience of Scottish consumers in vulnerable situations and how accessing non-financial support can be made easier.
- > Carrying out the second CFU annual consumer tracker survey.
- > Compiling evidence in anticipation of the UK Government's Consumer Green Paper (now published for consultation).
- > Holding our second annual conference – Consumers First – in February 2018.

## Programmed work

### Project CS1: Consumer Behaviours and Climate Change

#### The issue

In early 2017, the Scottish Government published its proposed Climate Change Plan (CCP) which outlined ambitious targets for reducing carbon emissions in Scotland by 2032 across different sectors. The final CCP was published on 28 February 2018. Notably, it proposes that significant emission reductions will be met through adoption of low carbon heating technologies and improvement in the energy efficiency of buildings. Central to achieving these targets is the assumption that consumers will change their lifestyle choices and individual behaviour. Scottish Parliament Committee scrutiny of the draft CCP identified an insufficient focus on consumer behavioural change if the targets are to be achieved.

#### Research and recommendations

In light of this we commissioned research to understand:

- > What the specific expectations of consumer behaviour change are across the energy, water and postal sectors to meet the CCP's targets.
- > How these expectations will affect consumers.
- > What policies are in place to support this behaviour change.

The main findings from the research are:

- > 41 behavioural expectations identified across the policies. These changes in behaviours fell into two groups – one-off, visible behaviours and habitual changes to consumer consumption.
- > Due to the missing or inadequate targets in some areas of the policies, it is difficult to get a clear picture on how consumers will be impacted. However, four areas are likely to influence how certain policies will impact individual consumers differently;
  - Those living in urban compared with rural areas.
  - The socioeconomic status of consumers.
  - The local authority area.
  - Consumers' housing tenure type.

- > At present, a gap appears to exist between consumer consumption, consumer awareness of the need to change behaviours and the momentum needed to achieve Scotland's emission-reduction ambitions.

Our recommendations from the research are as follows:

- > As the proposals and targets outlined in the plans will now need to be delivered, there is immediate need for the Government to put consumers' behaviour at the heart of policy. The ISM Tool<sup>33</sup> is a proven means to achieve this and develop appropriate solutions that consider the numerous factors that influence any behaviour or choice. However, this must be embraced across Government.
- > Further clarity will need to be provided to delivery organisations, local authorities and consumers themselves to understand the scale of behaviour change needed, as well as the most appropriate means to achieving this. In particular, taking the practical steps needed to cut emissions must be made easy for consumers.
- > In order to bridge current gaps in knowledge about what may motivate certain people to change their behaviours, there is a need for research. Better understanding of current trends, attitudes and motivations for change amongst consumers will be paramount to developing appropriate supports and interventions.

**33** The Individual Social Material (ISM) Tool is a model developed by the Scottish Government which is used to identify and tease apart the multitude of factors which can influence behaviour completed by a person or group and anticipate likely responses to change.

## Programmed work

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### Progress and next steps

- > In response to the draft CCP consultation we welcomed the ambitious targets, but stated that the CCP should consider the impact of policies upon consumers. This overlapped with our recommendations for the Scottish Government's Energy Strategy. To that end, policies must support consumers in making behavioural changes towards a lower-carbon lifestyle.
- > We have engaged with senior civil servants at the Scottish Government to raise the importance of consumer engagement in the transition to a low-carbon energy system. We were encouraged to see that the Scottish Government's Energy Strategy (published in December 2017) included 'consumer engagement and protection' as the first of its eight strategic priorities.
- > In 2018-19 we will continue to engage closely with the Scottish Government as it develops the policies that will deliver the Energy Strategy on the ground. We will hold a workshop with key stakeholders to disseminate the findings of the research. This will initiate a debate around how we can better use behavioural change science to identify the best ways of engaging with consumers to support this change in lifestyle – such as the uptake of electric vehicles or home insulation.
- > We will work to ensure that national programmes like Energy Efficient Scotland provide realistic and attractive incentives to help consumers to adapt to a lower-carbon lifestyle without compromising the affordability of energy.



## Programmed work

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### Project CS2: Making registration simpler across sectors for consumers in vulnerable situations

#### The issue

Scottish consumers in vulnerable situations can be eligible for various forms of additional (non-financial) support from their essential service providers (e.g. their energy supplier). There is some evidence that suggests that the numbers of consumers registered (for example, for the Priority Services Register in the energy sector) are relatively limited compared with the numbers potentially eligible.

The CFU's 2018 Consumer Tracker survey found that whilst almost half of participants met at least one of the criteria to render them eligible to be on a Priority Services Register (PSR), fewer than a fifth of those eligible were signed up to any such registers, and general awareness levels of PSRs still need to be raised. While it is possible that our survey under-reports the rate of PSR registration in Scotland, Ofgem's most recent findings on vulnerable consumers in the retail energy market also show that the proportion of customers on PSRs remains lower in Scotland than in the other UK nations, – and 'substantially' so for nearly all of the large six energy suppliers<sup>34</sup>.

#### What we did

This year we commissioned research to examine in depth the current experiences and perspectives of these consumers, and how the customer experience, and process of registering across sectors for additional forms of support, could be improved. We believe there is scope for streamlining and better integrating current multiple registration schemes to ensure that vulnerable consumers in Scotland do not miss out. This work has led to interest from the Scottish Government's new Task Force on Consumers and Markets, and we continue to work closely with it to pursue ways of bringing this into fruition. This is a research project straddling two financial years; it started in January 2018 and will conclude in June 2018.

#### Progress and next steps

- In November 2017 we hosted a very well-received seminar bringing together stakeholders across utility sectors to discuss the different approaches to identifying and supporting consumers in vulnerable situations. This helped raise the profile of the topic in Scotland and build dialogue across sectors in order that different utilities could learn from each other.
- We have since used this momentum to continue to engage with key stakeholders. They will be involved in a further workshop in June 2018 and keenly await the results of the research.
- We shall continue to engage closely with the Scottish Government's Task Force on Consumers and Markets to share our knowledge to date and advocate for a streamlined approach to registration and appropriate data-sharing data across utilities. The water Customer Forum has also picked up the subject and we shall work with them in developing improved solutions for water customers in Scotland.

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<sup>34</sup> [Ofgem \(2017\) Vulnerable consumers in the retail energy market:2017](#)

## Programmed work

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### **Project CS3: Annual Consumer Tracker Survey**

#### **The issue**

In 2016-17, we carried out the first pilot survey for our annual consumer survey, designed to track Scottish consumer experience of, and attitudes to, the regulated markets over time. In 2017-18, after learning from the pilot survey, we commissioned the second annual consumer tracker survey.

#### **Research**

Some findings from the 2017-18 survey included:

- > More than 1 in 10 people (12%) rating their energy bill as a 1 or 2 (out of 5) in terms of affordability, suggesting that they find their bills unaffordable.
- > Most people (62%) believing that parcel delivery should cost the same across Scotland, even if that means most people pay slightly more.
- > Less than half of those surveyed saying they would know who to contact if they were worried about paying their water and sewerage bill (47%) or who to contact if they think their home is at risk of being flooded (43%).

#### **Progress and next steps**

In addition to analysing the findings from 2017-18, we can also now begin to compare survey results year on year. This analysis will be carried out over 2018-19 and will allow the CFU and other interested stakeholders to identify where consumer issues have increased or decreased. We'll use these findings and analysis to represent the interests of consumers with companies, regulators and governments.



## Responsive and ongoing work

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We had particular success in 2017-18 carrying on our consumer principles-related advocacy. Although this wasn't a specific piece of project work with large spend attached, we saw the opportunity to influence a number of stakeholders based on work carried out in 2016-17.

The CFU operates within a set of seven consumer principles – Access, Choice, Fairness, Information, Redress, Representation and Safety. We use these to assess policy, regulations, practice and markets, which helps us identify what more can be done to drive better outcomes for consumers.

The CFU published an Insight report<sup>35</sup> following consumer principles research in 2016-17, which formed part of the CFU's 2018 conference.

One of the recommendations within the report was that a framework of questions should be established to allow organisations to assess how consumer-centric they are. We also recommended that more organisations should use a consumer principles based approach to analyse and improve existing processes and policies.

As a result of this research, our ensuing advocacy, and promoting both at our conference in February 2018:

- Scottish Water is currently working with the CFU on a suitable process to adopt a set of consumer-focused principles, and test them.
- After discussions with the CFU, the Consumer Council for Northern Ireland has re-examined its use of its own eight consumer principles and how these can best drive improvements for consumers.

For Scotland's consumers, increased use of consumer-focused principles means organisations can communicate their decisions and services clearly. Asking whether a new process is fair, for example, or if the opportunity for redress is available, is simple. Organisations asking themselves these questions, from the perspectives of consumers, should lead to decision-making that is much more in the interests of consumers. During 2018-19, the CFU will develop a framework with Scottish Water within which a set of consumer-focused principles will be delivered.

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**35** [CAS \(2018\) Leading by example: a principled journey through regulation](#)



# Appendix: Expenditure 2017-18

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The costs incurred to deliver the activity detailed in this annual report are shown below. The CFU's funding comes from levies on the three industries we cover.

CFU 2017-18 Estimated Expenditure By Sector*					
	Energy	Post	Water	Cross Sector	Total
Staffing & related	206,368	95,092	224,110	84,437	610,007
Programme	128,632	75,908	85,575	40,163	330,278
Total	335,000	171,000	309,685	124,600	940,285

*\*These are estimated costs only for 2017-18 since this is being published before final accounts are approved.*

Staffing and related costs includes items such as salaries, national insurance, pension contributions, and the costs the wider organisation incurs in relation to CFU staff. Programme costs are those associated with our research and advocacy work.

As – unlike our counterparts in England and Wales – the CFU also covers the water industry, when considering the cross-sector programme we look at each project on an individual basis. In doing so, we seek to allocate funding in proportion to sectoral relevance.







For more information about the Consumer Futures Unit, visit:

[www.cas.org.uk/spotlight/consumer-futures-unit](http://www.cas.org.uk/spotlight/consumer-futures-unit)

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