FAIR BY DESIGN
Ending the extra costs of being poor

Response to DESNZ – Consumer- led flexibility

18th September 2025

About Fair By Design

Fair By Design is dedicated to reshaping essential services such as energy, credit and insurance so that they don't cost more if you're in poverty – also known as the poverty premium. Fair By Design works with regulators, Government, Parliament and industry to eliminate the poverty premium. Fair By Design is managed by the Barrow Cadbury Trust on behalf of a group of foundations.

In the context of the energy market, we believe that households on low incomes should not incur a poverty premium, ie pay more for their energy, based on not being an "active" consumer or due to the way they pay for their energy.

Please note that we consent to public disclosure of this response.

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Background

Clean flexibility is the cornerstone of the Government's plan to reach clean power by 2030 and net zero by 2050. There are a number of ways of increasing flexibility within the energy system – one of which is consumer-led flexibility . Consumer-led flexibility is when consumers choose to voluntarily shift their electricity demand to take advantage of low prices when energy is abundant and avoid the periods when prices are highest. The Clean Power 2030 Action Plan has highlighted a need for a four to five-fold increase in consumer-led flexibility capacity, from 2023 levels, by 2030.

This consultation seeks feedback on the best approach to engage consumers in consumer-led flexibility to help optimise and sustain uptake over the short, medium and long term.

Summary

We agree with the need for a more joined up and holistic approach to consumer engagement on consumer-led flexibility. This is potentially an important part of ensuring that low-income consumers are not left behind, and that new poverty premiums are not inadvertently created. However, in order to drive take-up of consumer-led flexibility, more fundamental issues will need to be addressed such as the barrier of up-front costs of technology such as batteries, and the fact that landlords, not tenants, have control over whether this technology is installed in their properties.

People with lived experience have told us that they find energy tariffs complex to navigate and that they would welcome advice and support from trusted intermediaries. However, no one-size approach to engagement will fit all. Any engagement strategy co-designed with those it is intended to reach.

Fair By Design response

Introductory question:

1. Do you agree that government should be exploring how to achieve a more joined up and holistic approach to consumer engagement on CLF? Please provide supporting commentary.

Yes, we agree. Our experience of working with people on low incomes suggests that trust in the energy market and appetite for actively engaging in the energy market are both low. As the Government has identified in this consultation: "There is...potential that public awareness of CLF remains low, with CLFOs (*businesses*) focusing on specific consumer groups, particularly those who are already engaged and more affluent - risking low income and vulnerable consumers being left out of the market." The Government needs to ensure that they actively reach consumers on low incomes in diverse and inclusive ways, to make the case for how they can benefit from consumer-led flexibility.

In 2022, Fair By Design conducted a participatory action research project with Ofgem and Toynbee Hall[1] to explore what a good transition to net zero should look like for consumers on low incomes. This project involved professional researchers and community members with direct experience of fuel poverty working in partnership. A total of 13 peer researchers and 38 community members participated in the project, all with lived experience of the energy poverty premium.

The project aimed to:

[1] Fair By Design, Ofgem, Toynbee Hall (2022). *Net Zero Transition for Low-income Consumers* Available at: Toynbee-Hall_Net_Zero_Report_29_09_2022-1.pdf (fairbydesign.com)

1. Explore awareness amongst low-income households of the transition to net zero and what interventions would best help people through this transition;
2. Understand the needs of low-income consumers when it comes to accessible and affordable household energy, and in creating trust in the energy market during future changes; and
3. Co-design recommendations for the regulator to best support consumers on low incomes during and after the transition.

Here are the key findings:

- **Awareness of steps to take to transition to a net zero household is low, and prohibitive costs of 'green' choices could exacerbate inequality in the energy market.** Low-income consumers described difficulty accessing information about their choices when it came to transitioning to a carbon neutral household, both in understanding what everyday behaviour changes could help, to more significant choices about improving their household's energy efficiency. Crucially, without policy changes focused on tackling financial barriers to energy efficient appliances, smart technology, structural improvements and affordable green tariffs, the energy poverty premium will worsen with only those with the means to pay for technology and home improvements, and flex their energy use, benefitting. Policy and practice need to be fair by design, or it will be impossible to build a fair level-playing field in the energy market.
- **Private and social tenants lack power to make green household adaptations and are at risk of being left behind.** Tenants described feeling particularly powerless to make household adaptations. They are not in a position to upgrade to a more efficient boiler, for example, or insulate their home without action from their landlord. Young private renters described not wanting to request changes because they move so regularly, are time-poor, face competing life stresses, and suspect their requests would not be taken seriously. Social tenants were concerned about increased service fees from modifications to their buildings.
- **Low-income consumers will not be able to transition to net zero without barriers to smart technology being removed.** Fear of increased costs, deep-rooted privacy concerns, and lack of affordability are substantial barriers to low-income consumers benefiting from the sector's move to a smart energy system.
- **Energy companies need to become better at pro-actively identifying and supporting vulnerable consumers.** A key part of ensuring a fairer transition to net zero will be for energy companies to understand how to practically identify a 'vulnerable consumer' using a dynamic definition of vulnerability (ie recognising that

people's circumstances are not fixed). Ofgem's own research[2] suggests that people in "vulnerable circumstances" do not see themselves as vulnerable and therefore communications need to be framed around eligibility. Support offers should be triggered by certain consumer behaviour like late payments rather than expecting the consumer to approach their energy suppluer.

Although outside the scope of this consultation, **Fair By Design is strongly of the view that measures must be put in place through the Warm Homes Plan and raised standards for landlords to address these very practical barriers to being able to afford/access the technology and adaptations needed to participate in consumer-led flexibility.** Otherwise, any engagement strategy will be unable to rectify this.

On communications, the report makes these specific points:

- **Grappling with complex information to understand different energy options and their implications is a real challenge to low-income consumers.** Participants described how stressful and energy-sapping selecting a new tariff, making efficiency changes to their households, adopting new technologies, and accessing support schemes can be in the context of more immediate competing demands on their time. Awareness of options is often low, and it is particularly difficult for people to work out the various cost implications based on their own situations, energy needs and housing types with limited free time. This can be particularly frustrating when consumers have little power to make changes, for example, because they are a tenant or because they have to use more energy for medical reasons.
- **Low-income consumers want advice and information that take into account both the affordability and the 'greenness' of available tariffs.** Almost all research participants said that their primary concern when it comes to choosing a tariff will be affordability; however' they would like to choose a green option if they could afford one. Having clear advice that balances information about affordability and green initiatives would be helpful. Low-income households want clear information about where and how they can access affordable, energy efficient appliances. They also want accessible information on how much energy different household activities and appliances use, and the benefits making certain changes could have for the environment and the transition to net zero.
- **A key challenge for the energy sector will be proving the benefits of smart metres to low-income consumers.** Ofgem are trusted to provide information and

[2] Ofgem (2024), *Understanding the lived experience of consumers in vulnerable circumstances.* Available at: Understanding the lived experiences of consumers in vulnerable circumstances - qualitative research

reassurance around how smart meters, smart appliances and smart tariffs work. Energy companies also have a role to play. Participants requested clear communication about privacy protections in relation to smart meters. On affordability, energy companies need to offer clear predictions based on a consumer's past usage and situation around cost implications of switching to smart tariffs. Ideally this would come with a guarantee that costs will not go up as a result of switching tariffs (or by extension in consumer-led flexibility).

- **Energy companies need to pro-actively communicate with low-income consumers and offer more diverse channels of communication.** Participants' trust in energy companies to help them financially was low, primarily because they were viewed as profit driven. However, energy companies were seen as well placed to offer expert information such as on switching to the best tariff. Low-income consumers would ideally like energy companies to build more trusted relationships with them by regularly communicating useful information about tariff options. They want companies to pro-actively communicate their options to them, via text, email and bills. Participants also advocated for there to be multiple ways for consumers to reach out for support including helplines, chatbots and being able to speak with real people.

Please note that for the purposes of our consultation response, we are assuming that some people on low incomes will be interested in consumer-led flexibility and will stand to gain from it if the barriers to them taking part can be overcome. However, current evidence, notably from the Centre for Sustainable Energy's evaluation of the demand side flexibility service[3], casts doubt on whether people on low incomes who don't use much energy have much to gain from engaging in consumer-led flexibility. We have repeatedly called on Ofgem to update their distributional analysis of what is likely to happen under market-wide half-hourly settlement. An impact assessment was last undertaken in 2021, i.e. before the energy crisis, and was based on limited and unrepresentative data including a trial of consumers in London that excluded many important groups. Fair by Design and the End Fuel Poverty Coalition wrote to Ofgem and the Energy Minister Miatta Fahnbulleh on the 13th May 2025 to formally make this request. We received a response from Ofgem (13th June) confirming that they are not intending to update the impact assessment and instead will conduct further monitoring when market wide half hourly settlement is mostly implemented. The continued approach to addressing inequalities after they energy rather than pre-empting them is a matter of great concern to us.

[3] Centre for Sustainable Energy (2023), *Household engagement with the Demand Flexibility Service 2022/23*. Available at: Household engagement with the Demand Flexibility Service - Centre for Sustainable Energy

We also fear that people who do not have good access to the internet, or a device/data to be able to monitor their energy usage are effectively going to be excluded from consumer-led flexibility, no matter how good the engagement strategy.

These are critical issues that are key to the success of consumer-led flexibility. We recognise however that they are not within scope of this consultation.

Scope of consumer engagement:

2. The following functions are presented as desirable for an effective consumer engagement framework to have in scope. Do you agree that some or all of these functions should feature in such a framework? Please provide supporting commentary.

- **Coordination**
- **Standards**
- **Advice**
- **Communications**

Yes, we agree that all of these functions should be included.

3. Would you propose additional or alternative functions? If so, please state your reasoning.

Yes, we would add inclusive design. We believe that it is essential that people with lived experience are listened to and involved in designing solutions. An engagement strategy will only be successful if it grounded in how the intended audience sees the world and involves them in designing ways of engaging them.

We would also add that a test and learn approach is valuable, so that some of these areas can be scaled up or down or new areas added as the framework is implemented and evaluated.

We welcome the suggestion that behavioural science should be incorporated into these functions.

Finally, we would point out that people's experience of what happens after the engagement is also important. The smart meter rollout has taught us that even if there are good reasons to engage, if people then have a bad experience, trust is damaged. As we stated in our oral evidence to the Energy and Net Zero Committee inquiry into building support for the transition to net zero[4], one woman we spoke to had been keen to get a smart meter because she had health issues. This meant it was difficult for her to get to the shop to top up her pre-payment meter card, and a smart meter would mean she could do this on an app. However, a couple of

[4] Building support for the energy transition - Committees - UK Parliament

weeks after getting her smart meter installed, it stopped working. This went on for months by which time she was terrified of the final bill she was going to receive. This demonstrates that the work on standards and redress alluded to but outside of scope of this consultation is also important to securing ongoing engagement and trust.

4. Would you propose a particular combination of functions and degrees of intervention for those functions? Please provide supporting commentary.

On co-ordination and standards, we suggest that this requires a high level of intervention at least to start, but that the need for this may fall over time.

However, regarding advice and communications, we are clear that a high level of intervention is needed in order to be able to reach and meet the diverse needs of all consumers, including those on low incomes.

Participants in our peer research project with Toynbee Hall and Ofgem told us that in-person advice and support are invaluable, especially for those who are digitally excluded, disabled, or have interpretation needs. People want to go somewhere they trust and where they feel comfortable to get advice and strongly supported the idea of having energy experts – especially if they are independent of energy companies – visit community centres. Participants argued for having community energy champions, with some having had positive experiences of getting advice through them. Elderly and digitally excluded consumers, in particular, would benefit from this face-to-face support to understand, adopt and use smart technologies. Participants suggested energy champions could talk consumers through and demonstrate how to use smart technologies. Whilst even the highest level of intervention proposed may not meet what participants were asking for, it indicates the need for high-level multi-channel intervention when it comes to advice and communication.

It is also worth noting that where there is a vacuum in communication, our research showed that people will draw their own conclusions, for example, about motivations behind the smart meter roll out and smart meters causing increases in bills or even posing a risk to health. Therefore, it is important to establish consistent, effective messaging and communication, so that vacuums don't give space for myths and misinformation to develop and spread.

5. To what extent do you believe that the functions presented at Q2, and any other functions as per Q3, can be provided via current arrangements? Please state your reasoning.

We are unable to comment on whether there is capacity in the current system. However, it is worth noting that there could be potential for synergies with other elements of the energy transition to net zero where people also need to be engaged. For example, the Energy Security and Net Zero Committee recommended that the Government establish a national warm homes

advice service[5]. The Government responded that it was streamlining its digital advice offering supported by a national phoneline. In the same report the Committee recommended that the Government produce an engagement strategy to set out the costs and benefits of electric heating and build confidence for consumers, installers and the supply chain. The Government responded that they want to give households and consumers as much choice and support as possible and that more detail would be set out in the Warm Homes Plan in due course.

Retrofit, electric heating and consumer-led flexibility are quite closely related. The Government should engage with consumers to understand how they see the relationship between these elements and whether they would welcome combined or separate approaches.

Industry-facing engagement:

6. How important is a role for coordination of industry for consumer engagement on CLF? Please state your views on how such coordination could be best achieved.

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7. What would be the appropriate approach for a framework to ensure appropriate standards on consumer engagement for CLF are in place? (Note that "standards" here covers a range of mechanisms, e.g. regulation, licensing and codes of practice.)

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Consumer-led flexibility:

8. a) To what extent should the Advice function focus on being a trusted, neutral source of information to engage consumers on CLF?

Our research with Toynbee Hall and Ofgem suggested that there is an important role for trusted intermediaries in communicating energy options to consumers based on their circumstances. Many consumers we talked to simply don't trust energy companies to provide information that will help them save on costs. Suggestions for trusted intermediaries included Ofgem, local councils and advice and community centres.

b) To what extent should it go to in providing support to individual consumers as a service?

We support advice being provided to individual consumers. This advice should be directed to groups that need it most. As stated above, the research with Toynbee Hall and Ofgem found that people on low incomes found it stressful and draining to grapple with complex information about tariffs and would welcome advice from a trusted and neutral intermediary, as well as

[5] Energy Security and Net Zero Committee (2025), *Retrofitting homes for net zero: Government Response*. Available at: Retrofitting homes for net zero: Government Response

better information from energy suppliers themselves. Advice on consumer-led flexibility should include advice on smart meters and advice on how to access support with up-front costs such as the battery technology made available to those on the Coventry affordability trial mentioned in the consultation document.

9 a) To what extent should the framework focus on proactive, targeted communication activity directly to consumers on CLF, to supplement the approach to Advice, which would be available "on demand"?

We agree that the framework should focus on proactive, targeted communication and that this should be focused on those who are least engaged and have most to gain from any cost savings. The communication function should raise awareness of the independent advice on offer.

b) To what extent should the framework focus on national or more targeted communications? If the latter, what consumer segments should be targeted and why?

As above, we would support communications being targeted at those on low incomes and those who could benefit the most. We think that the rationale for the engagement framework (alongside measures to tackle the barrier of upfront costs and lack of control over the property for renters) should be to ensure that everyone can access the benefits of consumer-led flexibility in an equitable way. This will require working harder to reach groups that are less likely to engage.

Wider scope questions:

10. a) What considerations should there be for assessing the cost of establishing and running a framework?

As mentioned above, we think the driving rationale of the engagement framework should be achieving equity. Higher cost interventions can be justified if they are likely to achieve this goal and we would expect an impact assessment to be carried out to assess this.

b) Do you have views on potential funding mechanisms that may be considered for such a framework?

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11. a) Do you agree that core governance arrangements should include an expectation that the framework operates broadly in line with government objectives for CLF?

The core focus of this framework should be ensuring equity.

Whilst we fully support the transition to net zero and the need to contain the costs of the energy system in achieving that, we are concerned that the transition to net zero continues to be underpinned by the assumption that "active" consumers will shop around from an increasing range of tariffs and will be able and willing to flex their energy usage to reduce their bills. However, although evidence of past behaviour relates to switching supplier rather than flexing energy usage, it does not provide reassurance that consumers want to be actively involved in the energy market. The **Competition and Markets Authority (CMA) survey of 7,000 consumers as part of its investigation into the energy market in 2016[6] concluded that there was a lack of understanding of, and engagement in, retail energy markets".**

It found that **56% of respondents said they had never switched supplier, did not know it was possible or did not know if they had done so; and 72% said they had never switched tariff with an existing supplier, did not know it was possible, or did not know if they had done so. Consumers on low incomes were even less likely to be "active" consumers. Research from the University of Bristol (2016)[7] found that 73% of people on low incomes had not switched energy supplier in the past two years.**

We are also concerned by the assumption, repeated in this consultation, that not everyone needs to take part, but that those who do must be rewarded. As such, we reiterate our call that creating no new poverty premiums should be a guiding aim of the energy transition to net zero. The Centre for Sustainability (CSE)'s evaluation of the Demand Flexibility Service[8] demonstrated that **low-income households who only used small amount of energy have little to gain from reducing their demand at peak times.** And CSE's Smart and Fair work[9] has shown that "innovative tariffs" are increasingly complex, and aimed at affluent consumers, **meaning that consumers without smart meters, digital skills, or the ability to cope with fluctuating bills are already at risk of being excluded from the new market.** At present, the lowest domestic unit rates and standing charges are only available to owners of electric vehicles – not those on the lowest incomes. **If consumer-led flexibility continues to be disproportionately taken up by those on higher incomes, this will automatically create a new poverty premium.**

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[6]Competition and Markets Authority (2016). *Energy Market Investigation- final report.* Available at: https://assets.publishing.service.gov.uk/media/5773de34e5274a0da3000113/final-report-energy-market-investigation.pdf

[7] University of Bristol, (2016). *Paying to be Poor: Uncovering the scale and nature of the poverty premium* [pdf] Fair By Design. Available at: https://fairbydesign.com/wp-content/uploads/2019/08/University-of-Bristol-Paying-to-be-poor.pdf

[8] Centre for Sustainable Energy (2023), *Household engagement with the Demand Flexibility Service 2022/23.* Available at: Household engagement with the Demand Flexibility Service - Centre for Sustainable Energy

[9] Centre for Sustainable Energy (ongoing). See: Smart & fair - Centre for Sustainable Energy

As explained above we have called on Ofgem to carry out a **comprehensive distributional analysis** of the move to market-wide half-hourly settlement based on relevant pilots that have already taken place, as well as building distributional analysis into future pilots.

b) To what extent (very involved, somewhat involved, not involved) should government be in ongoing monitoring and stewardship of the consumer engagement framework?

We would expect the Government to be somewhat involved. The Government must monitor the framework to learn lessons and ensure it works well without affecting the framework's trusted, neutral reputation.

12. a) Do you agree with an aim to establish the framework before the end of 2028?

We agree.

b) If you do not agree, please indicate your preferred timeframe, including rationale for how this would be achieved?

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13. Considering different consumer groups across the range of domestic and non-domestic consumers, does there need to be a different approach considered for some or all of these? Please explain for which consumer groups and why.

The Government should adopt a targeted universalism approach. In other words, it should set a universal goal (equitable access to consumer-led flexibility) whilst recognising that different groups face different barriers and may require varying approaches. We have set out the barriers that people on low-incomes face for example: barriers to being able to access the technology to take part, lack of control over their property, low levels of trust, difficulty in understanding the energy market. Many of these barriers will be shared by other groups and at the same time people on low incomes are not a homogenous group by any means. Therefore, the Government will need to work directly with a diverse range of members of the public to ascertain the range of needs that should be catered for and where different approaches are needed.

14. Please provide any additional feedback here.

We think that the first step of any engagement strategy has to be understanding the needs of different consumer groups including those on low incomes. The substance of the transition needs to be right as well as the accompanying engagement strategy. We are concerned that for many people on low incomes who don't use much energy, there may genuinely be little or nothing to gain from engaging in consumer-led flexibility. If they don't, they will end up paying a higher unit cost for their energy, than others who have flexed their energy usage in order to

save money – creating a new poverty premium. Others, who do have something to gain, risk being excluded because they can't access the technology to take part or because they are digitally excluded.

The Government must ensure that those on low incomes have the same opportunities as those on higher incomes to benefit from consumer-led flexibility. This could be through covering the upfront costs of technology such as solar panels, batteries and heat pumps, and/or through being able to increase consumption during periods of excess generation and low prices, as the Centre for Sustainable Energy have suggested.

The issue of digital exclusion muct also be considered and addressed.

We call on the Government to commit explicitly to ensuring that no new poverty premiums are created as a result of the transition to net zero.