



3rd Floor North
200 Aldersgate Street
London EC1A 4HD
Tel: 03000 231 231
citizensadvice.org.uk

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Innovation Link evaluation and evolution – request for feedback

Dear Innovation Link Team,

Citizens Advice welcomes the opportunity to respond to the request for feedback for Innovation Link. Citizens Advice has statutory responsibilities to represent the interests of energy consumers in Great Britain and provides both statutory and non-statutory advice services to energy consumers.

Citizens Advice recognises the positive impact that Innovation Link has had for businesses looking to offer innovative products and services in the energy sector and supports the current design of the service to enable innovators to better understand the regulatory framework and how to work within it. We recognise and welcome the consistent theme identified by CEPA in its evaluation that Innovation Link has helped to ensure that innovation is focused on improving consumer outcomes. We also agree with CEPA's evaluation that Innovation Link has had a positive impact on innovators.

However, at this stage of considering the next steps of the evolution of Innovation Link, we believe there are opportunities to explore the use of policy sandboxes to help improve the accessibility of new energy products and services for people in vulnerable circumstances. Considering how policy and consumer needs interact in projects could help ensure that groups of consumers who risk exclusion will not face barriers to engaging with beneficial new services¹. Doing so could also help identify and overcome potential barriers² for consumers more widely, ensuring that products and services that make it to the market are successful and sustainable. This document is entirely non-confidential and may be published on your website.

Yours faithfully,

Maisie Gibson and Tom Brooke Bullard

¹ Energy Systems Catapult (2021) [How can innovation deliver a smart energy system that works for low income and vulnerable consumers?](#)

² Citizens Advice (2019) [Future For All](#)

Patron HRH The Princess Royal **Chief Executive Dame Clare Moriarty**

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Charity registration number 279057. VAT number 726 0202 76. Company limited by guarantee. Registered number 1436945.

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As Citizens Advice is not itself a user of the Innovation Link service, we have reserved our comments to areas of requested feedback around the focus of the service, rather than its delivery or customer journey, principally:

Should we continue to focus the lion's share of our resources on providing bilateral innovator support, or shift to multi-lateral support, such as producing regular guidance and Sandbox offers that help multiple innovators or whole business models at a time?

Broadly, we would support any changes in working that would create more space to help innovators consider consumer needs, ensuring that they are embedded in each stage of innovation and development.

While a significant part of the value of the Innovation Link service is derived from bi-lateral support, there would be broader benefits to both innovators not directly engaged with the service and consumers if regular guidance - where appropriate - can act to set standards to act as a baseline for behaviour in the market. Ofgem guidance could also have an important role in keeping innovators updated on any policy changes as the landscape progresses.

What are the pros and cons, risks and trade-offs we should consider? We provide the Fast Frank Feedback service, that helps innovators to navigate the regulatory framework, on an innovation-agnostic basis. What would be the risks, unintended consequences and benefits of operating this and other services in a way that gives greater attention to innovations that facilitate decarbonisation or tackle challenges for particular groups of consumers, such as, vulnerable groups

We recognise there should be space within the service for an innovation-agnostic approach, particularly in relation to the Fast Frank Feedback service, as at this stage some concepts may not be fully developed, so the consumer impacts or benefits may not yet be apparent.

In terms of what trade-offs, unintended consequences and benefits there might be in operating services that give greater attention to innovations that facilitate decarbonisation, or tackle challenges for particular groups of consumers, we believe the two priorities can be complementary. Future innovation can only maximise its potential by ensuring that products and services can be widely

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adopted. For that reason, we would advocate that where possible, prioritisation should keep the interests of decarbonisation and consumers in vulnerable circumstances aligned.

With that in mind, there should be a focus - as discussed in the next section - where demand-led innovation efforts are not generating necessary insights for these issues to then be taken forward in more detail through a policy-focused sandbox solution.

Our current Sandbox offer is demand-led, responding to what innovators are looking to bring to market. In other countries, sandboxes are often policy-led, designed by the regulator (or sponsoring ministry) to test regulatory responses or solutions to specific policy issues. Should Ofgem additionally explore using policy sandboxes, and if so, what could make them attractive to innovators?

We believe that there is scope to explore incorporating a policy-led sandbox approach to enabling future innovation, especially where there is a gap that is not currently being delivered by the demand-led approach.

One of the main challenges for energy consumers, now and in the future, will be the transition to a low-carbon and digital energy system. Without support, there is a particular risk that energy consumers in vulnerable circumstances will lose out in a future energy market. Therefore, we see value in an approach that gives greater attention to particular strategic challenges for disadvantaged consumer groups.

Recent analysis in Energy Systems Catapult Project InvoLve³ found that even when low-income and vulnerable consumers are considered by innovators, barriers that they might experience in engaging with new services are not fully understood. The report found that innovation projects that specifically engage low-income and vulnerable consumers have mostly focused on how they access and use products, rather than on how consumers could purchase and pay for them, which would be one of the biggest barriers these consumers face.

³ Energy Systems Catapult (2021) [How can innovation deliver a smart energy system that works for low income and vulnerable consumers?](#)



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The research also found that innovation more generally is often assumed not to benefit low-income and vulnerable consumers, meaning that they are excluded from developmental activities such as pilots. Such assumptions are damaging not only because they might not accurately reflect the attitudes of low-income and vulnerable consumers, but also because they limit the potential for new products and services that will benefit different consumer groups, and therefore miss out on the widest possible application in the future energy market.

Where these gaps in exciting innovation efforts are exposed, there should be a policy-led approach to address them and assist in the creation of evidence-based solutions. This could also ultimately be attractive for innovators as it could increase their prospective market for products and unveil insights as to how to best serve them. International examples such as in Germany have sought in successive rounds to target particular technical challenges of the transition, including consumer experience of distributed energy systems.⁴

Other comments

Demonstrating positive consumer outcomes

The evaluation from CEPA indicates that Innovation Link has had a positive impact in several key areas. This includes helping innovators to: understand and have confidence in their own products, and understand upcoming regulation. Based on these findings, it is clear that Innovation Link provides value to innovators.

However, there is more work required to demonstrate that Innovation Link is having a positive effect on consumer outcomes. While the evaluation notes that innovators reported that the service kept them focused on customer impacts, there is no evidence that this has translated to positive outcomes. The methodology is focused on interviews and surveys conducted with innovators which, as the report notes, limits the extent to which conclusions about customer impact can be drawn.

Citizens Advice recognises that gaining a detailed understanding of customer impacts depends on having a longer time to observe those impacts play out. As many of the innovators are at an extremely early stage and do not yet have a significant customer base, this is a challenge. We are pleased to hear that Ofgem has plans in place to improve its monitoring tools and would welcome

⁴ Energie Wende Bauen (2020) [The future of energy put to a practical test](#)



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further information about these plans. We encourage Innovation Link to prioritise, monitor and evaluate the experience of customers where possible. External evaluation of the processes used by Innovation Link to ensure customer outcomes would also help to demonstrate that Innovation Link is on the right track.

Data access and cross-sector innovation

More broadly on barriers to for new offerings entering the market, as identified by CEPA's evaluation, the EU-commissioned study 'European barriers in retail energy markets'⁵ acknowledged two key barriers to innovation:

- a lack of access to a data hub and advanced customer data more generally hinders progress both in single and cross-sector activity, and
- cross sector innovation will rely on regulations beyond those delivered by Ofgem, meaning that innovators attempting to work across different sectors may be faced with multiple regulatory barriers or grey areas, opening them up to risk.

To enable better sector coupling between energy and related sectors, the sector should look to resolve current data access problems, and to support innovators in navigating cross-sector barriers that are currently stopping joined-up solutions from occurring. Innovation Link could provide support in resolving these issues in two ways: firstly, it could provide greater attention to new services and products that facilitate better data storage and dissemination, and secondly it could provide expertise and guidance to innovators when navigating different regulatory landscapes.

Finally, Innovation Link could also utilise data more effectively to help monitor the consumer value of projects that go utilising the service. Currently, analysis of the impact of different services and products on consumers is limited unless they are directly consumer-facing. We would encourage Ofgem to consider whether there is more to do in this space to track in quantitative and qualitative terms value added for consumers as part of their activity.

⁵ European Commission (2021) [European barriers in retail energy markets](#)