

SECTION 1

The approach: research objectives and methodology

From the rapid review

Supporting insights from Sustainability First's analysis of existing evidence.

Nearly
3 in **10**

Bill payers said they would be 'very' or 'fairly concerned' about a £5 monthly increase in their household costs in one 2024 research project by Ofwat.

Consumer tolerance for bill increases

Perhaps not unsurprisingly, a person's financial situation and experience impacts views on how affordable a bill is. The rapid review found some evidence that a significant minority of bill payers would be concerned about household bill increases of £5 or £10 per month. But it also notes that there is value in judging bill increases in the context of the specific plans in question, the person's broader beliefs and views, and broader modelling evidence around the effect of small bill increases on pushing people into fuel poverty.

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“Self-reported tolerance of bill increases is valuable. However, when asked in the context of a business plan or investment plans, this can be influenced by wide range of beliefs and views not just a person's financial situation.

There may be value in: NGET applying the 1% rule of thumb to energy price increases to understand the impact of an increase in transmission costs on fuel poverty; modelling future fuel poverty under the 10% metric used in Scotland or DESNZ's calculations under different scenarios.”

— *Rapid Review, Sustainability First*

The context and underlying attitudes: how do participants approach these challenges and National Grid's role in addressing them?

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From the rapid review

Relevant insights from Sustainability First's analysis of existing evidence.

Nearly
6 in 10

of the public said they “were worried about paying energy bills”, with just over 2 in 10 “very worried” in DESNZ’s public attitudes tracker in Spring 2024.

Nearly
3 in 10

bill payers in Ofwat’s Cost of Living tracker in 2024 said they were “struggling with gas/heating bills and with electricity bills”. This is down from 1 in 4 last year.

Most people are still concerned about their energy bills

Since the pandemic and cost of living crisis, the financial situation has improved for many, particularly middle-income households. However, the majority are still worried about paying their energy bills and more than a third think their situation will continue to get worse in 2024/25.

For a minority of households, any bill increase is unaffordable

An estimated 5.6m households are in fuel poverty (NEA July 2024), and a growing minority are in very deep poverty and debt. The numbers of customers in energy debt and arrears is growing, as is the level of debt they are struggling with (Ofgem May 2024).

“ ”

“There is growing stakeholder interest in the distributional impact of net zero costs in particular on the poorest and most vulnerable in society. The review identified significant differences in levels of concern about paying energy bills and affordability across different regions and consumer segments. Groups more likely to be concerned and/or struggling to afford energy bills include: younger bill payers; those who use prepayment or who pay on receipt of bills; certain ethnic minority groups; renters; unpaid carers, those with disabilities; and those in Scotland, the North West and parts of London.”

— *Rapid Review, Sustainability First*

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Nearly
6 in 10

SMEs said they were concerned about the impact of energy prices on their business despite the majority reporting they could keep up with bills over the last 12 months. 42% reported they were “very concerned” with 22% struggling “from time to time” and 4% falling behind with bills.

IFF's research for Ofgem and DESNZ 2023

SMEs are also worried about energy prices

SMEs report facing legacy financial challenges from the pandemic, rising energy prices, higher input costs (e.g. staff, utility bills, materials) and debt servicing costs. Energy is a rising proportion of overall costs for some. Smaller businesses are more likely to report they are struggling financially with a focus on survival (cash-flow) and short-term delivery.

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“Overall, we identified less research on SME attitudes and experiences towards energy affordability than domestic customers, but the majority last year [2023] were concerned about energy prices and a minority were struggling. As with domestic consumers there's significant variation in experiences. Businesses in the hotel and catering sector, manufacturing, retail and distribution and transportation and public administration were among those most likely to report struggling to keep up with payments and being concerned about high energy prices.”

— *Rapid Review, Sustainability First*

The broader factors: what attitudinal or behavioural factors are at play in influencing how people think about whether to frontload or backload?

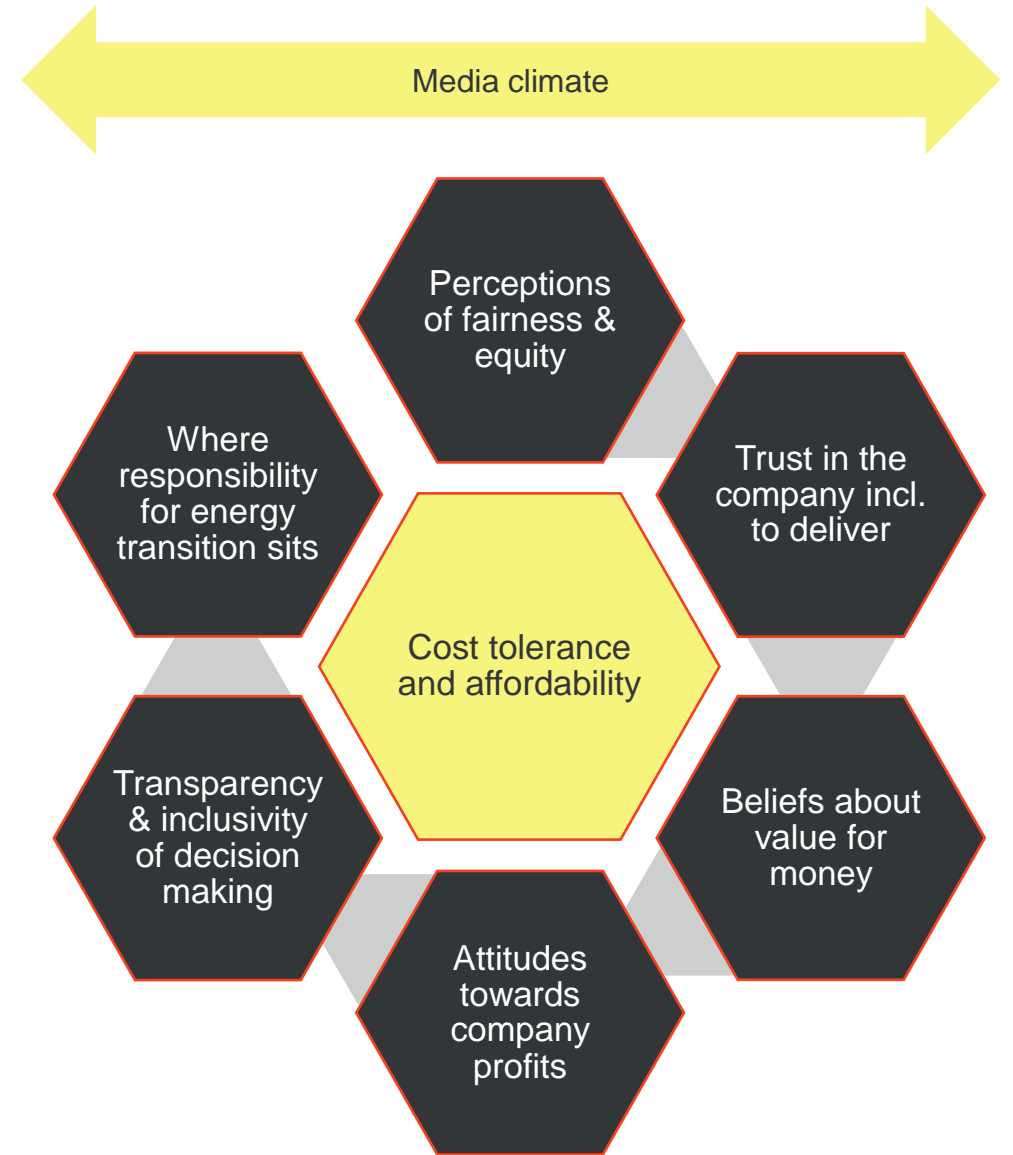
From the rapid review

Supporting insights from Sustainability First's analysis of existing evidence.

Factors influencing views on affordability and costs

Alongside a person's financial situation, the rapid review found that the extent to which consumers prioritise affordability over other outcomes, their tolerance of energy bill increases, and willingness to fund the energy transition, are influenced by a range of factors in the diagram to the right (along with how costs and bill impacts are presented in research). Many of these findings are reflected in this project.

This learning also offers substantial insights in terms of how to maximise support for the energy transition.



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From the rapid review

Supporting insights from Sustainability First's analysis of existing evidence.

7 in **10**

people in rural areas find hypothetical new transmission infrastructure in their area unacceptable because of the impact on local plant and animal life compared to 6 in 10 in urban areas.

Community Benefits for Electricity Transmission Network Infrastructure – Social Research Final report by BMG Research for the Department for DESNZ (March 2024)

Similar priority outcomes and prevailing attitudes

Our research found similar attitudes to energy companies, government, and consumer priorities as the rapid review. Affordability and reliability of supply remain top priorities along with safety, which is often taken as a given. Environmental outcomes are also important but rank slightly lower overall, with support varying dependent on the outcome – protecting wildlife and nature, visual impact, tackling pollution, reducing carbon emissions.

“ ”

“Most people believe net zero and de-carbonisation are important and many are willing to pay more in principle for environmental benefits even in the cost of living crisis. However, in practice reliability, convenience and affordability seem to be prioritised, especially when budgets are stretched...”

Those in rural areas appear to put a higher value on visual impact and nature and wildlife. This may be as they have a higher stake in the environmental wellbeing and sustainability of their community, a greater connection to nature, and a strong sense of place, including local heritage... Given the link between community acceptability, speed of transition, and cost, it is important for transmission companies to not think about affordability, reliability and environmental outcomes as ‘either ors’ – all must be aspired to if the transition is to be delivered.”

– Rapid Review, Sustainability First

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Top reasons given for supporting energy infrastructure in their area

1. 65% help deliver more electricity to meet increasing demand
2. 61% reducing dependence on foreign sources
3. 61% enabling more low carbon and renewable sources of power
4. 40% it would create jobs
5. 40% it would lead to cheaper energy bills

Community Benefits for Electricity Transmission Network Infrastructure – by BMG Research for the Department for DESNZ (March 2024)

“Generic terms such ‘fighting climate change’ ... appear to have less salience than more specific functional terms such as ‘connecting renewables and green energy to the grid’ ... Activities that support reliability of supply such as helping to meet growing electricity demand, modernizing and upgrading the grid, and reducing dependence on foreign energy sources have broad appeal and are more frequently cited as reasons for support. Delivering economic benefits to the local community and UK economy, creating jobs, and improved air quality are valued, but when prompted more people seem to prioritise other outcomes... There’s uncertainty as to whether renewable energy will lead to cheaper energy bills and this isn’t the top driver for support, but fears that it will increase bills are cited as a reason against.”

“ ”

— Rapid Review, Sustainability First

Low understanding of net zero

The review found that despite large numbers of consumers self-reporting that they know about energy infrastructure and net zero, in practice, levels of understanding are low. This is important as there is some evidence that those who say they know more are more willing to fund the transition and support new infrastructure.

Attitudes towards decarbonisation and infrastructure

The review highlighted that while the majority of people are concerned about climate change and support net zero and renewable energy, the level of concern has declined since 2021 with a small minority opposing net zero policies. Reasons cited for supporting new energy infrastructure, while not directly comparable are broadly consistent with consumer priorities for transmission companies from our Yonder/SF research.

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The overall verdict and the impact of price: do participants favour frontloading or backloading (and how does this change during deliberations and in different cost scenarios)?

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From the rapid review

Supporting insights from Sustainability First's analysis of existing evidence.

5/5

studies for different water companies which followed a broadly similar methodology to each other found a preference for frontloading bills over backloading bills. It is important to note, though, that many respondents said they didn't have enough information to decide, and the findings are not directly applicable to energy and electricity bills.

Preference for frontloading also found elsewhere

The preference that we have found in this study for frontloading – but with caveats and uncertainty among a large proportion – is consistent with, though not directly comparable to, other studies identified in the rapid review.

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“Consumers express a weak preference for front loading investment costs on bills over backloading. Most consumers prefer to pay higher bills sooner rather than paying later for investment and the proportions supporting this approach increases after discussion (i.e. the more they know the more they support paying sooner). Preferences for and against backloading are more decisive among non-household customers than domestic customers. However, findings should be treated with caution as most insight is from the water sector and in all research very high proportions don't respond, don't know...”

— Rapid Review, Sustainability First

The specific reasons for frontloading: What makes frontloading the preferred option?

From the rapid review

Supporting insights from Sustainability First's analysis of existing evidence.

One deliberative exercise for South East Water found the main arguments given for frontloading as below:

- Infrastructure not being fit for purpose
- Investment left too long already
- Cost of capital projects increasing
- Leaving better situation for children / grandchildren
- Not acceptable to leave things longer

Rational and emotional arguments for frontloading

The rapid review found a combination of rational and emotional arguments for frontloading not dissimilar to those arising in this research – this included a generalised preference for ‘getting necessary work done’ without delay while also considering broader societal impact (along with some other issues that are specific to water companies).

“ ”

“In Anglian’s qualitative research consumers recognized ‘the urgency and need to invest now’. The rationale given by consumers to frontload was:

- *Effects of climate change are more real than ever [...]*
- *Water bills are proportionately lower than others and investment in the water industry has been felt to be prohibitively low*
- *Older generations want to leave a positive legacy for children/grandchildren.”*

— *Rapid Review, Sustainability First*

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From the rapid review

Supporting insights from Sustainability First's analysis of existing evidence.

More than
7 in **10**

support bringing forward more investment in our electricity grids and nearly 7 in 10 of voters believe that investment should be made ahead of need in a study for SSE by J.L Partners in Nov 2023.

Speed of transition

The desire 'to get things done' is also consistent with the findings of one large poll on attitudes to investment, which was identified in the review (though this didn't include any reference to costs). Generally, the rapid review identified little informed insight on consumer attitudes towards speed of transition.

“ ”

“Consumers decision to frontload bills appears to be driven in part by a preference for lower costs longer term and overall. There's concern that the cost of capital projects will increase if investment is delayed. After prompting (not driving decisions), enabling the company to pay down debt sooner to preserve credit ratings, keeping borrowing costs and company debt down, so reducing consumer costs overall is also a reason supporting frontloading for some.”

— *Rapid Review, Sustainability First*

“Paying more now will help future generations as they will pay less if they need to borrow.”

Participant's reason for frontloading in Blue Marble's research for Severn Trent 2023

From the rapid review

*Supporting insights from
Sustainability First's analysis
of existing evidence.*

41%

*of household audiences
favoured 'an increase in bills
starting sooner, spreading
increases across different
generations of bill-payers' vs
only 18% who favoured 'an
increase in bills starting later,
putting more of the increases
onto younger and future bill-
payers' in one study for Anglian
Water 2023.*

Intergenerational fairness matters

Research exercises relating to water and net zero have generally found that, when prompted to consider intergenerational fairness, older people have tended to be willing to pay for infrastructure that they will not use. This broadly aligns with this research, which shows a desire for all to contribute to creating a more sustainable electricity system, provided that the effect of the cost burden on different parts of society is carefully considered.

“ ”

“Pushing the costs onto future generation seems unfair to many especially as life is considered harder and less stable for younger people than it used to be... Older people recognize they have benefitted from previous generations investment. Young people don't want to penalize older generations either...”

NGET should pay regard to the interests of future generations in its decision making and demonstrate how it has considered and addressed them. Issues of intergenerational equity are of growing importance and in Wales have a statutory underpinning. There's no agreed framework as to how to understand and address inter-generational fairness issues. However, there are a handful of tools that may be of use.”

— *Rapid Review, Sustainability First*

**The specific reasons for backloading:
what makes backloading appealing to
some participants?**

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From the rapid review

Supporting insights from Sustainability First's analysis of existing evidence.

11-20%

of household customers across five studies in the water sector in different parts of England prefer bill increases "starting later putting more of the increases onto younger and future bill payers"; and

23-40%

of non-household customers across four studies in the water sector across different parts of England prefer the same.

A minority of households and businesses prefer backloading bills

As with our research, the review found a consistent minority of household and non-household customers across all studies, preferring backloading, with high levels of concern about affordability.

“ ”

“The main reason for wanting to backload bills is that consumers or businesses say they can't afford it themselves or are worried about others not being able to afford increases because of the cost of living crisis. Households who are struggling financially are less likely to support front loading. People don't want businesses going bust. There is some regional variation in levels of support for backloading, potentially influenced by the relative affluence of different areas.”

— Rapid Review, Sustainability First

From the rapid review

Supporting insights from Sustainability First's analysis of existing evidence.

Reasons for delaying bill increases:

- Current cost of living drives short-termism
- Scepticism regarding option 1 [frontloading] – there will always be something prompting a rise in bills
- SEW needs to prove success from initial investment first
- Micro businesses – a focus on measured risks rather than what might happen

From Accent's research for South East Water's customers 2023

"[If companies frontload].. they must also prove that they are prepared to spend that money as quickly as possible after it's taken from bill payers. Money should not be sitting in water companies' accounts if they're not in a position to invest it quickly"
CCW 2024

Overcoming distrust with clear & transparent comms

The rapid review also found that as with views on affordability, low levels of trust are factors weighing on people's deliberations between frontloading and backloading and attitudes towards investment in net zero generally. This means that the explanation of how consumers' money will be used (especially if frontloading) is critical.

“ ”

"The story behind the decision matters. Clearly explain the reasons for any proposed bill profile and how consumers money will be used – this is especially important if you frontload bills. There's high levels of uncertainty and concern about the impact of energy decarbonisation on customer bills and low levels of trust. Some fear bill increases will be used to pay shareholders rather than invest and deliver. Explaining decisions and trade-offs made, as well as providing detail on what consumers are getting for their money builds confidence. If companies frontload investment costs onto bills, this is especially important."

— Rapid Review, Sustainability First

Broader considerations from the rapid review: what other factors should transmission companies think about?

From the rapid review

Supporting insights from Sustainability First's analysis of existing evidence.

Example views

I think it sounds horrific when you say it's a 48% rise. Of course it does. It's the same as the electricity bills, you know, this is ridiculous, but when you go it's gradual. Over a 5 year period. It it feels like it will hurt less as long as things do get done
(Kent)

Accent

Participant in affordability research for South East Water 2023

“Given that cost-of-living pressures are likely to still be high in 2025, Ofwat should consider smoothing out the impact of the bill increases to help customers’ budgets. Any spikes early on in the five-year period need to be fully justified. Water companies must demonstrate to Ofwat that they need the money upfront rather than have it spread over the five years 2025-2030” – the statutory consumer watchdog, CCW 2024.

The importance of smooth bill profiles

The rapid review found that in water sector research about investment, consumer groups welcome stable bills and this is an important guiding principle.

“ ”

“Smooth bill profiles are important to customers and often raised unprompted. This should be a guiding principle for decision making. When discussing future bill profiles, a key concern for consumers and consumer groups’ is that bills should be stable over time, with gradual increases, avoiding big fluctuations in charges so there are ‘no big surprises’. This is to help people predict their monthly bills and plan ahead. Respondents also believe this is more important for low income and vulnerable customers.”

— Rapid Review, Sustainability First

“Increase bills steadily so people can afford it. Water is a necessity for everybody so try and keep it steady, so we can afford it and our kids can afford it, so we don't worry about it. It's difficult to cut back on water.”

Participant in Blue Marble's research for Severn Trent 2023

From the rapid review

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of existing evidence.*

Key consideration: breathing space

We found that many participants called for a 'third way' – an option that allows for faster investment, but which takes better account of the immediate impact on certain groups. Similarly, the rapid review recommended considering implementing 'breathing space' by keeping bills lower for an initial period rather than ramping up payments immediately.

“ ”

“Consider keeping increases in bills low or keep them flat for the first couple of years before increasing them. There is a significant minority of consumers for whom any bill increase will be unaffordable. In all research a notable minority of domestic and business customers are against frontloading investment costs onto bills, especially those already in financial difficulties. The primary reason is they are worried about the financial impact of energy bill increases either on themselves, or on other households and businesses who are already struggling to pay their bills. Keeping bills lower for the first couple of years could help provide a breathing space for those still coping with the financial legacy of the pandemic and cost of living crisis (assuming the financial climate improves).”

— *Rapid Review, Sustainability First*

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More than
8 in **10**

of the public (81%) thinks it is important for the profit of energy companies to be spent on 'increasing support for vulnerable customers', on 'lowering bills for consumers' and 82% on 'increasing reliability of service'.

Bright Blue. Going greener? Attitudes towards net zero 2020

The standing charge effect

When evaluating affordability and bill tolerances, electricity network companies should be mindful that while the transmission part of the overall electricity bill is relatively small, as a proportion of the standing charge it is larger. This matters from a fairness point of view as the size of the standing charge has more than doubled in recent years and the standing charge mechanism as it is currently designed, disproportionately negatively impacts prepayment meter customers and low income, vulnerable, low energy users who pay the same for infrastructure regardless of electricity use.

“ ”

“Transmission companies may want to consider how they can mitigate the impact of any bill increase on those worse impacted. This is especially the case given the public's desire for energy companies to play their part in paying for the costs of energy transition (and how that links to acceptability), and support for using profits to help more vulnerable consumers.”

— Rapid Review, Sustainability First

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Consumers understand 'compromise' so be honest about the challenges

A number of studies ward against presenting outcomes in a binary way and suggest that the language of 'compromise' might better characterise the difficulty that trade-offs invoke. i.e. that ideal scenarios are not possible and some things that are not liked will have to be accepted.

Indeed, they highlight that the public are not expecting the ideal per se but want to know that the tensions and trade-offs have been considered not disguised.

While cost cannot be ignored, neither should public values

The rapid review clearly shows that public acceptability of the energy transition and related costs are affected by a range of personal and social values over and above the costs appearing on their bills. There may be scope for a consumer acceptability framework to support decision making.

"While the issue of cost cannot be ignored, an appreciation of public values provides an additional basis for understanding the core reasons for public acceptance or rejection of different energy system components and processes, including proposals for funding the low-carbon transition".

UK Energy Research Centre's Paying for energy transitions: public perspectives and acceptability report

"There is a catch, because the more you invest up front, the better things will be. But if people are struggling to afford it right, so then you've got an argument for either case."

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