PROJECT SPECIFICATION
Domestic energy consumer types in Scotland

Introduction

ClimateXChange wishes to commission research to understand the characteristics, needs and expectations of different groups of domestic energy consumers in Scotland; to assess the effectiveness, purposes and applications of different segmentations of energy consumers in use in Scotland and across Great Britain; and to develop a set of "consumer types" which can be used by policy makers to assess potential policy impacts on different groups.

Background

In December 2017, the Scottish Government launched the first Scottish Energy Strategy. This sets out the Scottish Government's vision for the future energy system in Scotland. The Strategy aims to strengthen the development of local energy, protect and empower consumers, and support Scotland's climate change ambitions while tackling poor energy provision.

This Strategy highlights the connections between the energy system and all parts of the economy, and its importance to sustainable, inclusive growth. It also makes a strong commitment to improving the Scottish Government's approach to public awareness-raising and engagement on energy issues.

It articulates six energy priorities for a whole-system approach that considers both the use and the supply of energy for heat, power and transport. One of the six strategic is to promote consumer engagement and protect consumers from excessive costs.

The Scottish Government is now developing an energy consumer vision and action plan to assess the implications of the Energy Strategy for consumers in Scotland, and to set out the Government's view of how consumers should be engaged and protected in the transition to a low carbon Scotland.

Research objectives

To support the Scottish Government's development of this energy consumer vision and action plan, research is required to better understand the different types of energy consumer in Scotland, what common characteristics groups of consumers may share and what experiences, needs and expectations these groups have in relation to energy.

The outcomes of this research should support the Scottish Government to more accurately and consistently assess and understand the impacts of policies and interventions on different types of consumer, and allow targeted interventions and support to suit different groups.

To support these objectives, we wish to commission research to:

1. <u>Review existing segmentation of energy consumers in use across Great Britain</u> (for example segmentation used by Ofgem, Smart Energy GB and potentially by energy suppliers) and assess;
   - o the purposes of this segmentation
   - o the type of categorisation used (e.g. geographic, demographic or attitudinal segmentation, including (where possible) attitudes towards energy efficiency, climate change and low carbon behaviours)
   - o what research and methodology underpins this segmentation
   - o how this segmentation is used, including any information on its application in understanding what consumers want and need from the energy market and energy policy, particularly in Scotland
   - o whether the segmentation is periodically reviewed and altered
   - o any limitations of segmentation.

   This should include an assessment of the extent to which existing approaches to segmentation take into account any differences between Scottish consumers and those in the rest of Great Britain.

2. Develop a set of practical Scottish "consumer types" that decision makers may use to assess the implications of energy policy and interventions on consumers, and to help frame policies. This should take account of any differences between Scottish energy consumers and those in the rest of Great Britain. This might include levels of rurality and island living; socio economic factors including levels of fuel poverty; housing types and associated implications for energy use; energy sources for home heat and power; levels of engagement including switching energy provider; and the extent to which consumers produce their own energy. Ideally there should be no more than six consumer types.

This segmentation should be suitable for use by policy makers in understanding and assessing the impact of policy design and implementation on consumers.

Whilst this research focuses on the needs, motivations and attitudes of consumers in relation to household energy, any research findings which are applicable to other sectors and which could help the Scottish Government to deliver on their commitment to a consumer-focused approach to policy-making would be valuable.

Project governance

The project will have a Steering Group with members from the Scottish Government and ClimateXChange. The Steering Group will meet to discuss the remit of the project at the outset and to discuss the findings and final outputs.

The lead contact for ClimateXChange will be Project and Information Manager Sarah Beattie-Smith. Update calls in addition to the Steering Group meetings will be scheduled between the contractor's project lead and the CXC project manager to discuss progress.

The Scottish Government is also reviewing its Low Carbon Behaviours framework. Researchers on this project would be expected to liaise with the project leads for the framework review.

Methodology

It is envisaged that this research is likely to involve a combination of desk research, literature review and interviews. However, tenderers are invited to put forward proposals on how to best meet the research objectives within the budget available. A full explanation of your chosen approach, including any limitations, should be provided.

We would expect those delivering the work to identify relevant sources of information to inform the work. Tenderers may find it useful to consider the following resources:

- *Scottish Energy Strategy: The future of energy in Scotland*, Scottish Government, 2017 https://www.gov.scot/Resource/0052/00529523.pdf
- *Beyond average consumption; Development of a framework for assessing impact of policy proposals on different consumer groups;* Report to Ofgem by Vicki White, Simon Roberts, Ian Preston, Centre for Sustainable Energy, 2012 https://www.cse.org.uk/projects/view/1223
- Defra's *Framework for Pro-Environmental Behaviours* which uses seven audience segments (see chapter 5 and Annex F) https://www.gov.uk/government/publications/a-framework-for-pro-environmental-behaviours
- *Household archetypes and behavioural patterns in UK domestic energy use*, Ben, H. & Steemers, K. Energy Efficiency, 2018, https://doi.org/10.1007/s12053-017-9609-1
- *Segmenting the energy market: problems and successes*, Lyndon Simkin, Sally Dibb, 2011, Marketing Intelligence & Planning, Vol. 29 Issue: 6, pp.580-592 https://www.emeraldinsight.com/doi/full/10.1108/02634501111166094

We would also expect the researchers to explore the potential application of the Distributional Impacts Model for Policy Scenario Analysis (DIMPSA) developed by CSE for Ofgem in drawing together their archetypes work.

Outputs

This project is commissioned on behalf of the Scottish Government and presentation of the results should be in a form that can be easily understood by readers without a science background.

The format and language needs to be clear and with focus on findings and constructive recommendations.

The outputs for this project will consist of;

1) A report of no more than 30 pages (excluding annexes). This should include the following:

- <u>Executive Summary</u>
  A summary of no more than four pages outlining;
    o The policy context for the research
    o Key findings, focusing on the effectiveness of approaches to segmentation and features of Scotland's energy consumers
    o An overview of implications for policy makers and potential applications of findings

- <u>Section 1: Review of existing segmentation of energy consumers in use across Great Britain</u>
    o A summary of no more than 2 pages providing an overview of the approaches taken to segmentation of energy consumers in Great Britain
    o No more than 20 pages detailing the findings of the research

- <u>Section 2: Implications for policy makers</u>
    o A summary of no more than 2 pages detailing any implications for policy makers of existing approaches to, and experiences of segmentation of energy consumers. This should include an assessment of the extent to which existing approaches to segmentation take into account any differences between Scottish consumers and those in the rest of Great Britain

- <u>Section 3: Conclusions and potential applications</u>
    o No more than 2 pages of key findings and potential applications of the research for the Scottish Government in relation to energy policy and, if possible, in other policy areas

- A technical annex detailing the methodologies used
- References
- A glossary if needed

2) A report of no more than 15 pages detailing proposed energy consumer types (ideally no more than six) and outlining their potential application in policy making. This should include;
    a. Descriptions of the key features of each consumer type
    b. Recommendations on how these types can be used by policy makers, including any limitations or potential extensions beyond domestic energy policy.

3) A presentation to the Scottish Government on the research findings

The outputs will be written in plain English and follow the CXC style guide[1], presenting findings against the criteria agreed. The ownership of the research material including the final report and any data produced as a result of the research lies with ClimateXChange on behalf of Scottish Ministers. The research will be published on the ClimateXChange website, the date and format of which will be determined by the Scottish Government and ClimateXChange.

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[1] https://www.climatexchange.org.uk/media/3219/cxc-writing-guide-updated.pdf

Project Timetable

Milestone	Completed by
Kick off meeting to agree • Scoping approach • Resolution of any outstanding questions/ exceptions • Roles of steering group members in supporting the contractor, and project communication	w/c 5th November 2018
Progress reporting to CXC	Fortnightly throughout
Steering Group meeting	w/c 26th November
Submission of draft report for output 1	w/c 10th December
Submission of draft report for output 2	w/c 14th January
Submission of final reports	w/c 4th February
Presentation of findings to Scottish Government	w/c 11th February

Submitting a proposal

Please send a **brief** proposal (no more than six pages of substantive text) responding to each of the award criteria above, including work plan with deadlines, CVs for the proposed delivery team, applicable day rates, relevant research experience, examples of previous work and the number of person days' work proposed.

Proposals need to be submitted to lee.callaghan@ed.ac.uk and cc'd to s.beattiesmith@ed.ac.uk for evaluation **by noon on Monday 29th October 2018.**

We aim to notify the successful bidder by 2nd November 2018 in order for work to commence by the week commencing 5th November.

Proposals are expected to be in the range of £40,000 (including VAT). However, ClimateXChange would welcome proposals for less than this amount.

Depending on the quality of proposals received, CXC may chose not to appoint any contractor.

You should highlight any potential conflicts of interest in your proposal. For queries about what may constitute a potential conflict of interest or any other questions regarding this ITQ, please contact Sarah Beattie-Smith, Project and Information Manager at s.beattiesmith@ed.ac.uk

Award Criteria

Price		20%
Quality		**80%**
	1. State the team members' names and their role in the team for this project.	Not scored
	2. Understanding of the research specification and the policy environment. • The proposal should include an introduction which demonstrates a clear understanding of the research requirements, including an understanding of the policy environment and the supporting role of this research; the need for this research; the research aim; and how the proposal will address this aim.	25
	3. Proposed Methodology • Outline the approach the proposed team will take to undertaking this research, including any limitations.	30
	4. Reporting • Demonstrate the proposed team's capability in communicating research effectively in a fast-moving policy environment • Demonstrate experience of writing reports for a non-specialist audience.	15
	5. Risk • Present a risk assessment matrix detailing any risks identified in relation to the delivery of this project, and proposed mitigation measures to minimise their probability and impact, focused particularly on risk to completion on time and quality control.	10

CXC Secretariat

October 2018