

Ofgem's RIIO-2 Draft Determinations – Gas Distribution Annex
CONSULTATION RESPONSE FROM AGILITY ECO SERVICES LIMITED
4 September 2020

Thank you for the opportunity to respond to this consultation.

Introduction

Agility Eco Services Ltd (AgilityEco) is a leading organisation in the area of low carbon and energy efficiency services, providing practical support and advice to vulnerable and fuel poor customers. As a sector leader in our field, we have significant first-hand experience of the benefit that utility companies can provide to these consumers, through their licence obligations, price controls and partnership working. (Please see page 6 for an introduction to AgilityEco).

Our response is thus focused on our concern for vulnerable customers and the provision for them in RIIO-2. Our points are related to Ofgem's questions **GDQ2**, **GDQ3**, **GDQ4** and **GDQ5** specific to vulnerability.

We warmly welcome Ofgem's drive for a greater focus on network companies supporting households in vulnerable situations in RIIO-2. This is at a time when there are also huge challenges to improve efficiency, reduce costs of service for all consumers and deliver the investment for Net Zero and the energy transition.

However, the focus on vulnerability as a key challenge is necessary. People who have been most impacted by coronavirus are, in many cases, in a more vulnerable situation than prior to the pandemic, due to ill health, lack of social contact, mental health issues and/or dramatic financial implications.

We know we are heading into a recession and according to the Citizen's Advice Report, 'Near the cliff-edge, how to protect households facing debt during COVID-19' (May 2020), already 12% of the general population were saying they were behind on household bills, due to the Coronavirus. This is the equivalent to 6 million people and a further 13%, 7 million more, are expected to fall behind, once temporary protections for debt are lifted and redundancies and insecure work rises.

The impacts of coronavirus will be deep and long lasting and all utility companies providing essential services must have a key role in supporting them. Providing assistance to a growing number of vulnerable households will be an ongoing challenge throughout the next price control and GDNs need to have sufficient provision for this.

GDQ2: What are your views on the reporting metrics we have proposed for the consumer vulnerability?

In principle we support Ofgem's reporting metrics and common outputs. We are pleased to see the introduction of a new principles-based Licence Obligation requiring GDNs to support consumers in vulnerable situations, as part of their business-as-usual operations.

In particular, we strongly support the Use-It-Or-Lose-It allowance (UIOLI) to provide support to vulnerable households. We agree with Ofgem that the GDNs role in identifying consumers in vulnerable situations and taking measures to address vulnerability should be within their area of competence, activity and consumer interaction. This will occur when responding to emergencies, during planned and unplanned outages, during Fuel Poor Network Extension Scheme (FPNES) interactions and through their customer service functions. We are pleased that Ofgem is strongly encouraging GDNs to widen their work with partners, to adopt new ideas and strategies, and to address the changing needs of customers throughout RIIO-GD2.

However, £30 million over the 5-year price review period, isn't nearly enough when one considers the challenges ahead and in view of working within Ofgem's own Consumer Vulnerability Strategy, focusing on the five themes of data, affordability, customer service, innovation and partnership working. In addition, the UIOLI allowance also has to stretch to include carbon monoxide awareness and safety across **all** consumer groups.

RIIO-2 is an invaluable opportunity to maximise benefits and impacts of network companies and to drive a joined-up approach across the utilities industry. However, they need adequate funding through the output and price control mechanism, to use the moments of opportunity where they come into contact with customers in vulnerable circumstances. We are therefore disappointed to see Ofgem has rejected most of the GDNs' bespoke output proposals for vulnerability interventions.

We are particularly disappointed that Ofgem has rejected initiatives in response to emergencies. GDNs are responsible for making the situation safe when domestic customers report a gas escape. This will often involve turning off the gas supply altogether or condemning a boiler, cooker or heater. When this occurs in the home of a vulnerable customer, we strongly believe there **MUST** be a duty of care on the GDN to ensure that the customer is not left in this highly vulnerable situation. It is unthinkable given Ofgem's Consumer Vulnerability Strategy and given GDN stakeholder feedback, that a GDN should walk away from this situation. This cannot be funded as a CSR activity, as suggested in Ofgem's response to Northern Gas Networks' proposal of a fund to help vulnerable customers affected by a gas escape. It must be a core responsibility of GDNs, funded through the ODI and Opex framework or the UIOLI allowance process. Cadent and SGN are commendably already running voucher schemes to respond to vulnerable households in this way.

We believe GDNs responding to emergency situations to support vulnerable customers is paramount. There is a clear need for this type of service given the limitations of existing funding available to vulnerable residents in these circumstances. Existing funding available through programmes such as ECO and WHD II has limitations in terms of seasonality, the ability to fully fund the required works and onerous compliance requirements which delay the provision of timely service. We strongly believe emergency response should be funded through the UIOLI allowance. Importantly, as is key to all GDNs it should be a priority for the 25% UIOLI ring fenced allowance as a collaborative shared programme across all the GDNs.

Ofgem has provided an example of how the 25% ring fenced allowance could be used – to support the delivery of a cross-utility PSR. However, there already appears to be a lot of investment and time going into this and it is being driven from several other agendas. We feel the allowance could be

used to provide more direct and impactful support to the most vulnerable, especially in emergency situations.

We were disappointed to see that Ofgem decided through the Sector Specific Methodology Decision, not to allow GDNs to contribute to energy efficiency measures or to fund the installation of boilers and heating systems through the price control. Whilst there are national government and local funding schemes, such as ECO and Warm Homes Fund available for these aspects, we believe GDNs have a role to help bridge the funding gap and ensure the householder has a solution to his or her problem rather than a partial solution that is little use. Unfortunately, as funding is very limited and often schemes need some contribution directly from the consumer, many vulnerable households miss out and continue to be at risk and unprotected through living in cold, damp homes.

This means that it is even more important that GDNs should be best incentivised to work with partners, such as AgilityEco, to deliver more effectively targeted and comprehensive support and to leverage the existing funding streams. This, for example, could be referring customers to a triage service, for income maximisation, debt advice, energy efficiency advice, home visits for the provision of energy saving and heating solutions and wider welfare support.

We are hopeful that going forward government will conclude that networks should deliver measures to fuel poor homes. We are thankful that Ofgem will introduce a re-opener, to respond to any changes in the role of the networks in energy efficiency for fuel poor homes.

We also welcome Ofgem's decision to embed vulnerability in the innovation funding and focus the Network Innovation Allowance (NIA) funding for projects for the longer-term energy system transition and addressing consumer vulnerability. This will enable GDNs to work with partners, advocates and vulnerable customers themselves, to ensure every opportunity is taken to engage with them, to ensure that they are not left behind. One of the first steps could be to support vulnerable customers signing up to a smart meter, where they haven't already and support them through the installation and after care, to ensure they fully understand and realise the benefits.

We urge Ofgem to enforce GDNs to consider vulnerable consumers as part of all Network Innovation Allowance (NIA) proposals. We believe the following points will be key to ensure the UIOLI allowance and the NIA process are optimised for the benefits of households needing the extra help:

- The processes need to be simple and agile and put in place in good time for RIIO-2, so that partnership proposals can be put forward and vulnerable consumers can benefit from early on in the RIIO-2 period
- Advocates for vulnerable groups and organisations who may wish to put forward proposals, should be involved in developing the process and the criteria
- GDNs should be expected to spend all of their UIOLI allowance, to ensure benefits for vulnerable people are maximised by the funds being made available
- The 25% shared proportion of the UIOLI allowance should be targeted at emergency activities, that ensure vulnerable households are never left without heat or hot water.

GDQ3 What are your views on the design of the annual showcase events, including whether they should be at a national or regional level?

An annual showcase event to share best practice and disseminate learning across a wide range of stakeholders seems a sensible proposal. National annual events would be an opportunity to share innovative practices and new ideas widely across GDNs, other sectors, partners and wider stakeholders.

More frequent regional events could be organised with stakeholders and partners to provide updates on progress at a regional level, to encourage further partnership working across utilities and sectors to address specific local issues.

AgilityEco would be pleased to be involved in the development of the governance for this event.

GDQ4 Do you agree with our position to change the FPNES from a PCD to a capped driver?

We note GDNs have stated that they have a high level of uncertainty on volumes achievable in RII0-GD2, highlighting the end of ECO3 and the lack of funding for first time central heating installations. We agree with Ofgem's incentive proposal of a capped volume driver to cover additional costs, where FPNES connections achieved, are at a greater volume than in their business plans.

We believe that Ofgem should work with GDNs to agree wider criteria to support more vulnerable people to be eligible for the scheme where it is appropriate and will help them to reduce their costs and to improve their comfort and wellbeing.

It is widely acknowledged that many fuel poor off-grid households miss out on the FPNES scheme, because they cannot afford the installation of effective heating thereafter. Ofgem itself has recognised the gap in the market and agrees that FPNES is most effective when coupled with other schemes, such as Energy Carbon Obligation (ECO) and Warm Homes Discount Industry Initiatives, providing a heating and energy efficiency home solution for the customer. Thus, as existing funded schemes have limitations, we strongly believe GDNs should contribute funding through the price control mechanism, to enable full costs to be covered for those households who can't afford to make any financial contribution.

We note Ofgem has introduced flexibility to increase or stop FPNES in response to developments in government heat policy, which seems a sensible approach. We are also aware that GDNs are concerned about giving advice about whether gas is the best option and may need an expert partner to provide impartial advice. Ofgem should be supportive and provide funding to enable this.

GDQ5. For GSOP3, is a 48 hour exclusion period for the provision of access to hot water and food in the event of a major incident appropriate? Should this be extended to cover interruptions that are not a major incident?

We believe the key here is to have a more tailored approach to the needs of vulnerable customers when there is an interruption to their supply. GDNs need to understand the impact on an individual

basis, dependent on the vulnerable customer's circumstances and we do not believe the Priority Services Register (PSR) 'needs codes' are sufficient indicators to determine the support that the most vulnerable require. This can only be determined by direct individual contact from trained personnel and specialist local emergency response teams, who can engage with these customers throughout the incident. For example, some will need the contact and immediate support of their carer or a family member and in some cases their health will dramatically deteriorate within several hours if they do not have heat. The charity Scope carried out research on how vulnerable disabled people may be impacted during a disruption to their supply and all these points were raised. The research highlighted that in most cases getting the right engagement and support during an incident was more important than increased compensation payments. In summary, the type of assistance and the period that a vulnerable person can be left without support during any incident, is entirely individual.

GDNs should be given the flexibility and funding mechanism to work with local response teams to provide the right support, at the right time, to their most vulnerable customers.

In Summary

Overall, we are supportive of Ofgem's draft determinations.

We are disappointed that most of the bespoke outcome proposals on vulnerability have been rejected and we are concerned that the funding available for the 5-year period is very limiting. We hope that Ofgem is able to reconsider some of these proposals when GDNs provide further detail and evidence of benefits in their responses.

We warmly welcome the UIOLI allowance and we strongly believe that a substantial amount of the 25% shared proportion of the UIOLI allowance should be targeted at emergency activities across the sector, to ensure vulnerable households are never left without heat or hot water.

We also welcome Ofgem's decision that NIA funding will include innovation projects for community outreach and support for vulnerable customers. We urge Ofgem to require GDNs to include how they have considered vulnerable consumers in all NIA proposals, to embed an inclusive design in all innovation projects and use partnership expertise to enable this.

Vulnerable customers have individual needs and staff must be trained to have the right conversations with them. Specialist personnel and emergency response experts need to engage with the most vulnerable throughout an incident, to help protect and provide appropriate assistance.

Thank you once again for the opportunity to comment on this important consultation. I would very much like AgilityEco to be involved in future workshops to progress the UIOLI and NIA processes.

Gearoid Lane, CEO AgilityEco Ltd

An introduction to AgilityEco

AgilityEco is a market leader in the management and delivery of innovative services to support low income and vulnerable households that need a helping hand. We provide practical help with energy and water efficiency, utility bills, household finances and vulnerability.

We work with energy suppliers, network companies, water companies, local authorities and housing providers to plan, fund and manage services to **support households with affordability and vulnerability issues**. We deliver these services through our carefully chosen national network of trusted and experienced partners.

In 2018-19 we supported over 40,000 households and achieved £177 million worth of lifetime energy bill savings across the UK, through our support programmes including [LEAP](#), [ECHO](#), and [HEART](#).

We have developed a unique approach that brings together, funding and delivery of energy efficiency and heating measures, high quality vulnerable customer support, delivered at scale through partnership working with local authorities and local agencies. You can see more in our [Impact Report for 2018-19](#)

The chart below gives an example of the kind of life-changing outcomes that can be achieved by bringing the various strands of help and support together for vulnerable households:

