

Ofgem Consultation on the Energy Industry Voluntary Redress Scheme

CONSULTATION RESPONSE FROM AGILITY ECO SERVICES LIMITED, 8th April 2021

Introduction

AgilityEco is a market leader in the management and delivery of innovative energy and water services to low income and vulnerable households that need support. 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, health agencies and housing providers to plan, fund and manage the services we provide. Our services are delivered through our carefully chosen national network of trusted and experienced partners. Our local partners in the delivery of advice and support services are charities and social enterprises. Our professionalism, project management and compliance capabilities, together with our regulatory knowledge, provide them access to funding which many of them would not be in a position to secure on their own.

As will be evident from this introduction, we have a business interest in the areas covered by the consultation. The views expressed, however, are based on our considerable practical experience of what works and what doesn't when delivering energy efficiency and advice services. That experience and expertise is what has led many energy suppliers to rely on us to help them fulfil their obligations under Government schemes including the Energy Company Obligation and Warm Home Discount.

We believe that there are issues in terms of the current Redress Scheme rules around interaction with other schemes designed to support the installation of more substantial energy efficiency measures. We see this as a missed opportunity that is to the detriment of vulnerable consumers and make suggestions in the responses to your questions that follow.

1. The types of projects

Question 1. Do you consider the funding split between the Main Fund, Innovation Fund and Decarbonisation Fund to be appropriate?

We deal with Questions 1 and 2 together in our answer to Question 2.

Question 2. Do you consider the proportionate funding split between vulnerable consumers and all energy consumers to be appropriate? i.e. 70% to vulnerable consumers and a total of 30% to all energy consumers.

AgilityEco believes that with the latest annual fuel poverty statistics issued by the Government showing over 3 million households in fuel poverty, it is entirely right that the biggest share of the funding is made available to vulnerable consumers. This is also in line with the focus of Government policy and schemes in the area of energy efficiency where funding is largely directed to those in greatest need. We would suggest that at least 70% of the funding should be allocated to vulnerable consumers.

We would also suggest that the allocation of funding should not by default become 70% for vulnerable consumers under the Main Fund and the rest for other consumers under the other two elements. We appreciate that the rules state that the Innovation and Decarbonisation Funds are for “all energy consumers” but it seems possible that they will in practice be largely taken up by non-vulnerable households, partly because those most likely to engage with “new business models” are unlikely to be in vulnerable situations. As the ability to get best value from energy services becomes increasingly based on the use of smart technologies, it is important that vulnerable households are not left behind. The example in paragraph 3.6 of funding being used to help social housing tenants use smart technology to get best value from solar panels is a positive one.

Question 3. Should a fuel voucher fund remain a permanent feature of the overall Energy Redress Scheme, so that it can react quickly to specific crises?

Yes, but only for a limited share of the funds. We fully understand why allocating funding to fuel vouchers was adopted in response to the COVID-19 pandemic. However, we see the only sustainable way to tackle fuel poverty in the long term as being by improving the thermal efficiency of the fabric of buildings and supporting that through more efficient and cost-effective heating systems. This approach is at the heart of the Government’s fuel poverty strategy as updated earlier this year. We note, for example, that financial assistance is allowed under Warm Home Discount Industry Initiatives, but only for a capped share of a supplier’s obligation, and that this cap has been reducing over time. Warmer and healthier homes are the best way to protect the elderly and those with health conditions from suffering the effects of cold and damp. This will be even more important if over time further waves of COVID-19 or a new virus, or indeed just changes in working patterns, mean people spending more time in their homes. Fuel vouchers should be seen as a last resort in an emergency rather than something that should be provided at scale on a regular basis, therefore we would propose that the share of redress funds allocated to fuel vouchers should be capped at a relatively low proportion of the funds available.

Question 4. If a fuel voucher fund is set up, what type of consumer should be eligible to apply for these vouchers? e.g. vulnerable consumers, pre-payment meter consumers.

There are a number of schemes that exist to support vulnerable consumers facing high energy bills. We see it as important that there is as much consistency as possible between these schemes in the way in which vulnerable households are defined; different definitions are confusing for both customers and organisations working in this area. One of the longest standing schemes is the Energy Company Obligation. We are aware that BEIS are currently designing the ECO scheme for 2022-26 and will be consulting on it shortly. We expect the consultation to cover the households that should be supported under ECO and we would encourage Ofgem to build as much consistency as possible in the Redress Scheme with the definitions that BEIS are using. This seems particularly important given one of the objects of the Redress Scheme is to help customers access support from schemes such as ECO; if eligibility for Redress makes it likely that a vulnerable customer will also be able to access ECO support, then that will save that customer a lot of wasted time and effort. We see this point on definition of eligibility as relevant to the whole Redress Scheme not just the issue of fuel vouchers.

2. Widening the eligibility scope to other organisations

Question 5. What are your views on expanding the applicant scope beyond charities and organisations that partner with charities? If you think the scope should be expanded, do you have any suggestions for how eligibility should be defined? (e.g. what legal structures/status should qualify? Should there be other qualifying criteria?)

We believe that for a number of reasons it makes sense to expand eligibility beyond charities and housing associations.

Our view is that organisations such as ourselves with very strong track records in delivering these kinds of services should be eligible to apply. The main criteria should be that organisations have the capability to deliver professionally and cost-effectively and to maximise the benefits that customers derive, rather than to restrict funding to particular types of entity. The objectives and ground rules of the scheme are pretty clearly set out. As with ECO and WHD, that clarity of requirements enables scheme delivery to be undertaken by whichever party is best placed to do so and can provide best value.

AgilityEco's Local Energy Advice Partnership (LEAP) provides strong evidence of the value that professional, experienced and expert business can bring to the delivery of support to fuel poor and vulnerable households. Our skill and knowledge give energy company funding partners and others confidence that the programme will be run to a high standard and in a compliant manner. This has ensured continuity of funding since the service was launched in 2016, with over 90,000 customers being helped in the intervening years. The delivery of services at a local level is through a network of charity and social enterprise partners, thus providing them access to funding that many of them would not be able to secure on their own. Bringing these organisations into a cohesive coalition that delivers to the same specification and quality standard, and engaging local authorities and other trusted frontline organisations to make referrals to the service, delivers a far greater economy of scale than would otherwise be achieved. We therefore suggest, as stated above, that the focus should be on service quality, value for money and social return on investment rather than on the types of entities eligible to apply.

We believe it should be possible to operate the Redress Scheme on this basis without too much administrative complexity. If you decide that you want to anchor eligibility around participation in existing Government schemes, again we think ECO provides an appropriate route. There are a range of organisations delivering ECO by operating recognised affordable warmth partnerships with local authorities. We understand from BEIS that referrals by affordable warmth partnerships will be an eligibility route to the Local Authority Flex element of the next iteration of ECO (which could form as much as 50% of ECO4). By linking Redress Scheme eligibility to ECO, Ofgem would not only be moving the Scheme to stronger professional standards but also achieving more holistic outcomes; onward referrals to ECO LA Flex and the installation of more substantial measures would become much more straightforward.

This does lead to a second constraint in the current rules that we regard as unhelpful and detrimental to customers. We recognise Ofgem's concern to avoid circularity of redress funds whereby the application of the funds would in some way save energy companies money. But the rule that only allows customers to be advised of other schemes (such as ECO and WHD) or referred into third party advice (such as the BEIS online energy advice tool) makes everything very clunky. Accessing more substantial help, such as the installation of insulation or heating systems, is made really difficult for

the customer and will lead to a situation where vulnerable households are not helped to secure the significant improvements to their homes that will really make a difference.

This is borne out by EST's evaluation report which makes clear that measures installed under the Redress Scheme have largely been small ones, LED Bulbs and radiator foils being the most prevalent. We accept that the Redress Scheme funds are probably too small to fund more expensive measures. But if a key aim of the Scheme is to provide referrals into other schemes that do provide those more substantial measures, such as insulation and heating systems, it is currently being stymied. The number of these measures installed through referrals is low across the first 5 Rounds at 189 and we believe it is essential that more is done to increase the number of significant home improvements that are achieved.

Overall, we would encourage Ofgem to put consumer benefit first and ignore any fairly marginal benefits that might accrue to energy companies from ECO or WHD referrals. If you really felt you couldn't move away from this, then other safeguards that still allowed direct referrals might be more sensible. For instance, you could require that referrals did not benefit those energy companies who had put into the Redress Scheme in the last three years. Or companies could pay a set fee for each referral back into the Redress Scheme (on an annual basis to avoid administrative burdens).

3. Experience of charities applying to the Energy Redress Scheme (this section is for charities which have applied to the Redress Scheme only)

Question 6. How did you find the application process?

Not relevant.

Question 7. Did you have a good understanding of the eligibility criteria?

Not relevant.

Question 8. Do you have any feedback on what would have made the process better?

Not relevant.

4. Other feedback

Question 9. Should we consider any other areas regarding the Energy Redress Scheme? If so, please provide an outline explanation of your suggested area(s). If possible, please outline any associated benefits and costs with your suggestion(s).

Nothing to add.

Question 10. Do you have any other general comments or feedback you would like to provide?

Nothing to add.