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## *Ofgem Energy Redress consultation – March 2021*

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Working across the whole of Cornwall, **Community Energy Plus** was established in 1998 to deliver energy advice services with the aim to relieve fuel poverty and conserve the environment through the better use of energy and the reduction of CO<sub>2</sub> emissions. Community Energy Plus works to improve energy inefficient homes and buildings, whether this is working with homeowners, landlords, tenants, community organisations and businesses. We provide a range of services to vulnerable householders to improve warmth and reduce energy consumption and costs, helping to reduce fuel poverty in Cornwall and supporting residents to access the services of 30 public, private and voluntary organisations as part of Cornwall's Winter Wellbeing network.

### *Consultation: Areas for consideration*

#### *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? 70% / 15% / 15%*

We note from the 2020 Impact report that the majority of the Main Fund has been allocated to projects providing energy advice services. Community Energy Plus is one of the recipients of this funding and we have used it both to deliver core energy advice services and to develop new targeted advice provision to specific groups of vulnerable consumers. We are appreciative of the support the Energy Redress funding has provided since its launch.

Our experience over the past 23 years working in this sector is that the main beneficiaries of our services, fuel poor households, are unable to pay for the advice they need, and therefore the intervention of expert advice services, enabled by grant funded support, is essential. Currently, there is very little targeted funding from other sources for the provision of basic energy advice and so, the Energy Redress fund is filling an important gap.

In comparison, there are a number of funders specialising in support for innovation, not least Innovate UK. Similarly, significant attention is now being given to the challenge of the energy transition and the need to decarbonise the energy system, with a variety of funders targeting this as a new area for their support; that said, much of this funding blurs the distinction between environmental outcomes to address the natural world and the ecological collapse we are facing, against outcomes that tackle fuel poverty and energy-related issues. The challenge of achieving net zero carbon emissions in domestic heating, especially for low income households and those that meet vulnerability criteria is an area that has been overlooked by many funders until recently. In this context, we welcome the creation of the Carbon Emissions Reduction Fund. We appreciate that this fund has only just started to consider responses to its first call for applications and will take time to develop its key priorities. As such, it is too early to judge whether the 15% allocation is appropriate, however, in our view, with recourse to other funding sources, this is a topic that will be a growing

priority with many funders with a variety of emphases, and Energy Redress should continue its focus on energy consumers, based on the Ofgem definition of vulnerability.

On this basis, we believe that the current split between the funds is appropriate and doesn't require adjustment.

*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.*

We support the current division in funding allocation between vulnerable consumers and the wider population. Ofgem's definition of vulnerability is sufficiently flexible to address most of the scenarios where we meet potential clients; the alignment with the definitions used by DNOs and energy suppliers for their Priority Service Registers is also helpful to ensure clients get all the support they need. In this regard, potentially there is more work to be done to ensure that the definitions of vulnerability used by other regulators, specifically Ofwat and Oftec are compatible with the Ofgem definition. We would also note the growing issue of digital exclusion as an area that needs further attention, and so would suggest that consideration be given to ensuring that alignment of the definitions of vulnerability be extended to include the role of Ofcom.

While we agree with the bias towards vulnerable energy consumers, as the provider of a range of energy advice services we have at times found a tension between the services we know consumers need and Ofgem's restriction that Energy Redress funding cannot overlap with work involving the Energy Company Obligation, Warm Homes Discount and the various Priority Service Registers. We understand the need to ensure that obligations are met and that monies that fund Energy Redress activities don't alleviate the pressure on suppliers to meet their regulatory commitments. However, in dealing with vulnerable consumers, who don't understand the way the energy market works or the role of the regulator, it can be difficult to navigate the barriers that exist to achieve the best outcome for our clients.

As one example of this, we made an application to Energy Redress for focussed work to support Park Home residents; as part of the bid we included a significant capital request that we wanted to use to enable external wall insulation (EWI) for a number of Park Homes. We were not proposing to access ECO funds as part of the project, because it is currently not cost effective to do so, but our bid was declined on the basis that Park Home EWI is on the list of ECO measures. Technically it is correct that EWI for Park Homes is an ECO measure, but the reality is that ECO is not working for this client group, despite the efforts of several players in the industry; this is easily evidenced by looking at the ECO install data which itemises Park Home work. Some Councils have enabled Park Home projects but they have committed significant subsidies to achieve their outcomes.

There are a number of flaws in the delivery of ECO and ECO Flex which we constantly have to find ways to work around, and we believe that Energy Redress could be used to support charities that are making a contribution to correct these failings. As noted, while we understand the need to not dilute the effectiveness of Energy Redress funds, we hope that Ofgem could reflect and develop assessment criteria that would allow some flexibility so that we can address areas where other funding is not working, or where criteria for those alternative funding sources are creating anomalies and inconsistencies.

*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?*

Although we have seen the benefit that the vouchers have been to households we are not convinced that this should be a specific long-term provision.

Our own review of the impacts of the COVID emergency and its economic fallout on our clients, especially in terms of the number of job losses and households now living on restricted income due to furlough, has raised a number of concerns. The analysis of the issues our clients are presenting indicate that many vulnerable households will need on-going support as part of the recovery effort. It is clear that many have used any savings they may have had to cover loss of income; equally we have seen a number of households where income is now so low that, after housing and energy costs are deducted, they are in a negative position. While further provision of fuel vouchers would be immediately beneficial and welcomed by these households, we question if this is the best use of this funding, if the longer term issues are not addressed. The vouchers have provided welcome short term relief but do not address these more significant issues.

We also have concerns about significant level of fuel debt being carried by pre-payment meter households that was built up before the various emergency support measures were made available; the timing of when suppliers will move to recover that debt will be critical as to how households are able to cope.

As ever, with the type of grant the vouchers represent, we are aware of the problem of creating a dependency on this assistance, where immediate relief is made available, while not adequately addressing the underlying issues that have created the need. The cap of three vouchers awarded to a household in a calendar year therefore seems sensible.

Our experience of the scheme was that the initial time lines of the awards did not fully take into account the behaviour of pre-payment consumers or when they needed the support. The first round of vouchers coincided with the early summer months when consumption falls and so we saw partners struggling to get vouchers awarded. We administered a round of funding, initially from August to mid-October, and then extended to early January, which was a better match for the demand profile. However, by the time the volume of requests built up, the Energy Redress team wanted to discuss refunding part of the grant in order to reallocate it in a subsequent round. Although we did this, in the event we could have disbursed all that we had originally requested, as awareness of what was available increased and demand grew. We therefore welcome the shift to awards to cover a six month delivery period.

We agree that the provision of funding in order to provide specific emergency relief is a prudent proposal, however we question whether this should be funded from the monies normally paid into the Voluntary Energy Redress Fund. The decisions taken by Ofgem, to counteract the negative effects of the behaviour of companies in the energy supply sector that are found to be non-compliant with the regulations, whether in error or because of deliberate action, relate to structural and institutional failings in the supply system. The work of charities like Community Energy Plus to support vulnerable consumers, funded through the Energy Redress fund, tends to focus on more fundamental issues, rather than on emergency relief. We therefore question whether Energy Redress monies should be used as a source of emergency relief.

Over the past year, our established delivery models have been adapted to work with clients impacted by the COVID emergency and so we have been able to use the Energy Redress Crisis funding to get assistance to households in need, and we are keen to do more. On the basis that the funding to enable emergency support is sourced from elsewhere in Government we would support this continued activity of the Fund.

*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*

Our main concern about the voucher scheme is that pre-payment meters alone are being used as a proxy for vulnerability. Aside from the fact that not all pre-payment meter users are at risk, we think that significant groups of vulnerable consumers are being overlooked, including:

- Consumers who use credit meters but who are living on restricted or very low incomes. They have been impacted by the same set of circumstances but there has been limited provision available to help them.
- With the focus of Community Energy Plus being the residents of Cornwall, which has a high level of consumers not connected to the mains-gas network, we have met a significant level of need from non-metered fuel users, i.e. those using heating oil or LPG. With the series of lockdowns we have experienced, access to affordable heat where demand has increased has meant that the offer of credits to electricity meters is of limited benefit to these households.

While we appreciate that any scheme needs to set parameters and there is always a danger of excluding some groups, it seemed to us that these are significant sections of our community in need, that we couldn't help via Energy Redress, but who readily fall within the definition of vulnerability used by Ofgem.

The mechanism of awarding vouchers to credit pre-payment electricity and gas meters has proven to be effective. From other work we have done in the last three months we fully appreciate that getting credits onto the accounts of clients using credit meters can be very challenging, as some energy suppliers seem either reluctant or unable to take payments from third parties, and we are unable to make payments directly into clients' bank accounts. We have struggled to get several suppliers to accept payments in to their customers' accounts paid from ourselves; these suppliers seem unwilling to recognise that in this emergency, charities such as Community Energy Plus have legitimate reasons to make payments on behalf of their clients, and we would encourage Ofgem to investigate further the barriers to assistance low income households using credit meters are facing.

We hope that Ofgem and the Energy Redress team can consider mechanisms that will enable credits to be awarded to these consumers.

## *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?)*

As noted in our response to Question 1, we re-emphasise that currently the Energy Redress fund has become the primary funder of energy advice services and that there are very limited alternatives to get longer term core energy advice services funded. We would regret a shift in Ofgem's approach that would limit the availability of funding, by introducing more applicants from a more diverse pool.

Regrettably, central Government currently appears to be blind to the importance of high quality energy advice services, which has most recently been evident in the debacle of the Green Homes Grant. The online resource (the Simple Energy Advice website) was inadequate to address the concerns of applicants, and we received a stream of requests for support from eligible low income households wanting to apply for the £10,000 voucher, which we wanted (and felt obliged) to respond to, but were unfunded to deliver.

Given our current reliance on Energy Redress funding to support vulnerable households, the Trustees of Community Energy Plus have noted the perversity of the current situation, where our services are funded by sources that are ultimately derived from the aberrant behaviour of the companies regulated by Ofgem.

Accordingly, we would caution that any widening of the scope of eligible applicants is approached with care. We would support the inclusion of other not-for-profit organisations to the list of eligible organisations, specifically, those that are registered as Community Interest Companies (CICs), Charitable Incorporated Organisations (CIOs) and Co-operative societies (registered Cooperatives and Community Benefit Societies).

We agree that collaboration and partnership working is very important, and would welcome the opportunity to explore more opportunities as part of the development process. Greater sharing of current delivery between grant recipients would be welcomed, as would the opportunity to see the outline of unsuccessful bids, in order to explore whether a collaboration could strengthen refreshed proposals – for the Energy Redress team to publish a list of all the applicants in each round after the awards have been made, with the project name and 100 word project aim description would be helpful.

## *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?*

To date, Community Energy Plus has made six applications to the main fund, one application to the Small Grants fund, and one to the new Decarbonisation fund. In addition, we have made two bids to the COVID Crisis fund.

We use the services of a professional funding consultant to help develop our bids and have found that their input is invaluable in presenting our proposals in a format that makes the best case for our

proposals. We appreciate that the level of demand for funding often exceeds the amounts available for disbursement and so we understand that the process is competitive and we need to ensure our applications are clear and stand out. While we have made the decision to invest in professional input for our bids, we appreciate smaller charities or those applying to the Small Grant fund may be unable to risk development funding in this way which may put them at a disadvantage.

Our experience is that the process is clear, and the application form is helpful in structuring what we are requesting and outlining the scope of our proposals. Our only criticism of the application form is that the word counts are unnecessarily restrictive and limiting in our ability to fully explain our ideas.

The timeline from the point that the fund opens a new round for applications through to the announcement of decisions, and then agreeing the terms of grant in order to start the project is clear and achievable. We have appreciated the level of feedback on unsuccessful bids in order to reshape proposals for subsequent bids.

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

The eligibility criteria are clear and the Redress team are responsive to questions and requests for clarification.

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

We welcome the opportunity to commend the work of the Development Officers and other staff at the Energy Saving Trust administering the Energy Redress fund; we have frequently used them to test out our ideas at an early stage of the development process. Given their backgrounds with a thorough knowledge and experience of providing energy advice we value the team's input and guidance. The further information, guidance, and recorded presentations available online are also really useful.

We suggest that a reduced application form for small grants, compared to the standard application form for the Main fund, would improve access to the fund. The one form fits all approach doesn't also necessarily work as well for the Carbon Emissions Reduction programme and this needs some refining for subsequent rounds of the fund.

#### **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).*

No response

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

No Response