

Sophia McGuigan
Redress@ofgem.gov.uk

8th April 2021

Dear Sophia,

Consultation to review the Energy Industry Voluntary Redress Scheme

We welcome the opportunity to comment on your consultation about the Redress Scheme, which we currently administer for Ofgem.

Energy Saving Trust is an independent organisation dedicated to promoting energy efficiency, low carbon transport and sustainable energy use. We aim to address the climate emergency and deliver the wider benefits of clean energy as we transition to net zero.

We empower householders to make better choices, deliver transformative programmes for governments and support businesses with strategy, research and assurance – enabling everyone to play their part in building a sustainable future.

Please find out response to the questions raised in your consultation below.

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 think the funding split is appropriate.

There has been a lower response under the Innovation fund than other funds, suggesting that charities may have found applying for the Innovation fund more difficult. We think Ofgem could considering wrapping the Innovation fund together with the Decarbonisation fund to make these two funds simpler to apply for and to enable the funding of larger projects which hit both priorities.



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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 think that the whole scheme could focus more on consumers in vulnerable situations. A higher weighting for vulnerability for bids into the Innovation and Decarbonisation funds could deliver more outcomes that benefit consumers in vulnerable situations as well as meeting the existing objectives of Innovation and Decarbonisation funds.

Overall we think the scheme should be repositioned to better support delivering the energy transition in ways that are inclusive, just and fair. Since the redress scheme was established Ofgem has repositioned itself to focus more on Net Zero and it follows that the redress fund should also contribute to these aims. This would mean in practice the scheme shouldn't support installation of new fossil fuel heating systems (except in exceptional circumstances) and could incentivise win-win projects that decarbonise as well as addressing innovation or vulnerability.

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?

We agree that the fuel voucher scheme should be made permanent feature as affordability is likely to remain an important issue beyond Covid. We think that this is an appropriate use of redress money that originates from poor supplier behaviour.

We have seen a high demand for fuel vouchers, and in the most recent period we were well oversubscribed. We expect this would be the case in a future crisis, and so it would be important to establish a limit to the voucher fund so there isn't a detriment to the objectives of the rest of the fund.

Provision of vouchers has additional benefits beyond the immediate support for consumers. Vouchers have helped charities network with consumers and with new organisations, and there have been reports from a number of grantees that vouchers have engaged consumers who are otherwise disengaged from the energy market. We think that there are important links between the provision of vouchers and advice and support for consumers:

- Voucher provision provides opportunity to provide advice at a time when consumers are receptive (we had this feedback from specific advice providers).

- Voucher provision extends reach of the redress scheme and brings in people who would not have benefitted from the scheme otherwise.

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.

We would argue that provision of vouchers could support an objective of helping people who are vulnerable. We have provided vouchers to people on pre-payment meters during the pandemic. But we have also had feedback from grantees of demand from people off the gas grid (eg oil or solid fuel). Because of the impact on fuel poverty, we think this area could be considered an exception to a wider objective of not supporting fossil fuel heating (which we argue for above).

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?)

There is no shortage of organisations to fund, we currently have over 750 charities on our database for the redress scheme. In addition we get frequent emails from groups outside of the eligibility criteria. But there may be a benefit for consumers if Ofgem did broaden eligibility to include groups that could develop better bids around decarbonisation and innovation. Because of this we think there is a good case to widen include Community Energy/Interest groups.

Current redress guidance suggests that charities are the best placed to deliver energy advice services. This sector is rapidly changing and in recent years many community benefit societies have entered the fuel poverty space. Community Interest Companies have also started to become involved in owning and managing renewable energy assets and in supporting the delivery of fuel poverty and energy advice projects. These groups are well positioned in their communities to help households to engage with energy and climate change issues and to take up any support that is available.

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?

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

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

[6-9 answered collectively]

The redress scheme has almost always been oversubscribed. So it is inevitable that some applications will not be successful. We have already shared the results of applicant feedback surveys with Ofgem both through the scheme evaluation and other surveys.

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).

Duration of grants from the redress scheme

Ofgem could consider the duration of grants available from the redress scheme. The current redress scheme enables projects to last up to 2 years. As many funding streams for energy advice services are short term the stopping and starting of energy advice offerings can interfere with the development of secure referral partnerships as people assume the scheme has ended. Energy advice services often rely on third parties referring vulnerable clients to them for support and these relationships can take a long time to establish. The availability of longer grants would enable them to provide a more consistent service, to test and learn from different engagement techniques and to develop trusted relationships with their local health, social and voluntary sector partners, who would have faith that the service will not suddenly disappear.

If the scheme were able to give longer grants than at present this could improve consumer outcomes, providing more certainty and continuity so that more could be achieved with a longer funding period. This would involve a trade off as there would be an impact on the funding available for other projects in future years.

Interaction with Supplier Obligations

The energy redress scheme seeks to secure maximum positive benefit for consumers in vulnerable situations and this should mean enabling energy advisers that are funded through the scheme to provide a holistic service to the people that they support.

Energy advisers, especially those working with very vulnerable clients, will not only tell the client about the Priority Services Registers and Warm Homes Discount payment that they may benefit from but will physically support the client to sign up to the register(s) and apply for the WHD. We encourage Ofgem to consider whether redress funded advisers could provide this level of support.

ECO and ECO Flex are the main support mechanisms for home energy efficiency improvements for vulnerable households so we would encourage Ofgem to consider how the redress fund could be used help consumers in vulnerable situations to access this support in appropriate ways (eg that don't act as marketing for energy suppliers).

In our experience it has been difficult to fund capital measures because the redress scheme is not allowed to fund measures that are within the scope of ECO (whether or not they are currently available). As the scope of ECO covers the majority of measures that would be relevant for qualifying households this results in much reduced scope for funding capital measures for people in vulnerable situations. This is a challenge, and a contributing factor for why redress schemes grants are focussed on advice rather than capital projects.

Ofgem should take a strategic look at how the redress scheme interacts with supplier obligations. In some cases the potential outcomes from redress actions working alongside other programmes could be greater than the sum of their parts, and we think there is an opportunity to clarify the authority guidance around these to help improve the effectiveness of the scheme.

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

We have no further comments.

We would be happy to discuss any part of this response with further,

Yours sincerely

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