

National Energy Action (NEA) response to Ofgem's Consultation to review the Energy Industry Voluntary Redress Scheme



Action for Warm Homes

About National Energy Action (NEA)

NEA¹ works across England, Wales and Northern Ireland to ensure that everyone in the UK² can afford to live in a warm, dry home. To achieve this, we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives.

Background to this response

In our work to end fuel poverty, NEA has been an active participant in the redress scheme, consistently making bids for work and carrying out key work to help those most in need. We believe that our extensive experience bidding for and delivering work for this scheme gives us a good platform to make suggestions as how to improve the scheme.

To date, we have won bids for four projects within the scheme:

A Warm Welcome – pilot project based in the North East - agreed April 2019.

NEA's "A Warm Welcome", based in the North East of England, aimed to provide a safe and warm home for a new-born baby to begin their life. A Warm Welcome identified expectant mothers and families with young children with a low income to:

- Provide energy advice and support to families to manage their energy bills, keep warm and keep the lights on, advice about support available and what to do in fuel debt.
- Provide emergency funding grants for households to top up energy meters, to keep the lights and heating on; or to purchase warm clothes for their children.
- NEA also provided training for frontline staff working with new and expectant mothers, so they understood the plight of fuel poor families, able to provide basic energy advice, and know where to refer them for support.

Partnering with Baby Lifeline, NEA also worked with health professionals, including midwives and paramedics, to raise awareness of the impacts of living in a cold home for young children and developed a referral route for new mothers to access assistance through the project. In one case we were able to help a mother who gave birth by torch light and a paramedic had to use emergency blankets to warm both mother and baby because there was no money to top up the electricity meter, this should not be happening in 2018.

Boxergy Trial (led by north Devon Homes) - agreed December 2019.

The project trialled a new technology called Boxergy, which combines highly efficient electric heating with energy storage. With a time of use electricity tariff, the system can significantly reduce the heating costs for households currently using night storage heaters and offer heating costs comparable to or cheaper than gas boilers. 7 Boxergy systems were planned to be installed, benefiting 9 socially rented homes using night storage heaters and located in villages between South Molton and Tiverton in North Devon. These included 3-bedroom houses which will now have an individual Boxergy system and semi-detached bungalows which will share a system. The project included an evaluation carried out by NEA, investigating resident satisfaction, ease of use, running costs and reliability. Performance will be compared to the resident's previous energy consumption, and against comparable households with night storage heaters.

Increasing self-consumption of Solar PV - Agreed April 2020.

The project delivers support and advice to over 7000 low income and vulnerable households with PV technology on their homes to maximise the free energy use and reduce energy bills. Working with social housing providers the project will identify properties in three locations in England, develop and disseminate easy to understand information, provide intensive support where needed, and provide small measures to support with optimising benefits of the system. Information leaflets will be complemented by a suite of videos and web-based resources. Complementary bespoke training on PV and battery storage is offered to front line workers operating in the target areas.

Households receiving information can seek further support via telephone, advice clinics or home visits. Part of the project is an independent evaluation of the PV system performance and small measures provided to appropriate households.

Warm Welcome national roll out - Agreed December 2020.

Funding was agreed to help expand the Warm Welcome programme noted above.

These innovative projects have helped NEA deliver some significant outcomes which would not have been possible without funding from redress. NEA are therefore very supportive of the scheme contouring and all of the detailed comments in our response to the questions seek to help support the redress fund as a key way of helping support vulnerable energy consumers.

Our response to this consultation

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

Yes, NEA believes that the current funding split is appropriate. NEA continues to believe that the main fund should retain the main share of funding. The central aim of redress funding has traditionally been to principally support vulnerable energy customers in the market. We believe this should continue to be the main aim of the scheme and therefore this part of the fund remains fit for purpose.

NEA believes that the other two funds for innovation and decarbonisation are also important, and that the current split of funding remains appropriate. These funds are not principally aimed at vulnerable energy consumers (unlike, for example, network innovation funds such as the network innovation allowance) so should not receive a disproportionate amount of the funding pot. We particularly think that there is a risk that the decarbonisation fund is the least likely to directly benefit vulnerable energy consumers and needs to be tested before any increase in funding takes place.

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.

Yes, as per our answer to question 1, we believe this is a suitable split. It remains useful for the innovation strand to be for all consumers, as it helps to test innovations across multiple client groups, which is an important part of testing and learning.

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, NEA believes that the fuel voucher fund should remain. However, it should not exist purely to react to specific crises. There are significant energy affordability issues that were in existence before the pandemic, and will remain for a long time to come. According to the Office for National Statistics (ONS)³, even before the devastating impact of Covid-19, the poorest 10% of households in Great Britain had debts three times bigger than the value of the assets they own. NEA's recent report "*Surviving the Wildness: The landscape of personal debt in the UK*"⁴ highlighted UK household debts owed to government and utility providers are soaring due to the impacts of Covid, with an estimated 2.8 million people falling into arrears, 1.2 million with their utilities, 820,000 with their council tax, and 590,000 with their rent; and 3.8 million people having to borrow to make ends meet. A consistently funded voucher system would go a little way to easing these issues for the most vulnerable energy customers.

Ofgem can go further than this to help ease this debt crisis, and the NEA response to the Ofgem Forward Work Plan⁵, we outlined several ways that this could be done, including:

- Improving the identification of financial vulnerability
- Ensuring that, beyond forbearance, energy debt is addressed by suppliers in a systematic and effective manner
- Improving the accessibility and awareness of existing support schemes
- Enforcing the Vulnerability Principle (SLC0) and Ability to Pay Principles
- Further Addressing Self-Disconnection

It is also important for Ofgem to consider whether energy suppliers are receiving financial benefits because of the provision of top up vouchers, as these could be helping to simultaneously pay off arrears. Whilst NEA would not want the assistance to be halted, understanding the quantum of this issue is important.

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.

NEA believes that the criteria for eligible customers must be much more specific than it has been. Our experience with this lack of qualifying criteria is that there has been significant demand from households who do not represent those who are most in need, and are undoubtedly not who the fund was intended to support. Our preference would be to

broadly align the eligibility criteria with other similar schemes such as the warm home discount industry initiatives, and to have a flexible element whereby the delivering charity can have some discretion as to issuing vouchers to households who are impacted by the effects of fuel poverty.

One different element of the current scheme that NEA is concerned about is how timescales have been treated. Initially, there was a short three-month timescale in which to ensure that the vouchers were distributed. After putting our initial bid in for these three months, and being able to distribute vouchers extremely quickly, we were invited to bid for more funding, but could not complete our bid until our final reports were finished. Conversely, those that originally bid for more vouchers that they could deliver in a three month period were given an extension on their projects and could deliver on a longer timescale than originally allowed, with no additional administrative burden. NEA does not believe this created a level playing field between different participants, and the additional administrative burden on an already stretched charity was particularly unwelcome. Future rounds should follow a principle of consistency across all parties.

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?)

NEA does not believe that eligibility should be expanded beyond charities being the lead delivery agent. Compared to charities, there is a significant amount of funding for local authorities to support households in the way that this redress scheme is designed to fund. Alongside the Warm Home Discount Industry Initiatives, this scheme represents the only consistent route for charities to support households in the energy market. The Warm Home Discount, however, does not allow innovation or decarbonisation projects in the same way that the redress scheme does.

Additionally to this, NEA believes that allowing organisations such as local authorities to be lead partners could cause an increase in administration time, as public organisations tend to have significant bureaucratic challenges that are often not faced by charities. In order to ensure that as much redress money finds its way to consumers as possible, charities should remain the primary delivery agent for the scheme.

Question 6 – How did you find the application process?

NEA has found the application process generally good and comparable to other similar funds. There are some areas where the process could be improved:

- Many of the questions that are asked are repetitive and require similar content to be provided in several different sections. The questions asked of charities could be streamlined.
- There is only one way in which to submit a bid – using text boxes through an online portal. While we accept that this reduces some administrative burden for the independent Service Provider (ISP), it places a not insignificant burden on those charities that wish to bid in. An example of this is where charities are required to fill in a spreadsheet to produce costs and outputs, but these must be translated to the online form instead of the excel sheet itself being submitted. This can clearly be streamlined for those bidding for money.
- As noted in question 4, consistency in the treatment of bids and projects should be a key objective for the ISP, and this has not always been the case.

A significant positive of the process to date has been the open dialogue between the ISP and delivery agencies, where questions are asked even after submissions to gain clarity on elements of the submission. This ensures that projects are not simply rejected due to small errors.

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

Yes, largely because of the guidance that is offered by the ISP.

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

Please see the answer to question 6.

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, NEA believes that the current scheme design covers all elements that it needs to at this point in time, on the condition that the top up fund continues and retains the current requirements with charities and that the decarbonisation fund does not increase in funding.

However, the current funding pots could be used more wisely and creatively by the ISP. For example, the current mechanism tends to fund a narrow set of projects, centred on energy advice, funding similar projects year on year. NEA believes that within the current set of funds, the ISP should explore other options, widening the set of successful projects.

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

There are two extra comments that NEA would like to make at this time:

- While it is clear that the scheme cannot directly link with other Ofgem administrated schemes, the ISP appears to take a blanket rule that any reference to other schemes in applications results in a rejection. While this is potentially a sensible approach to ensure avoidance of accepting projects that should not be funded through the scheme, it can also have the impact of rejecting valuable projects that are well within the scope of the scheme. For example, the approach has led to rejections of projects aimed at households that are eligible for ECO 3 measures, but providing a more suitable service to meet their needs. Ofgem should look to clarify the interaction between the redress scheme and other schemes. This is particularly the case when value added holistic outcomes can be achieved on behalf of clients, but the restrictions reduce scope to support this type of activity.
- There is a lack of transparency over the independent panel that judges the project. NEA does not believe there is any need for this. Transparency would give delivery agencies the confidence to write bids that are fit for the audience. It will also give consumers more confidence that decisions on redress funding are being taken by suitably qualified actors and therefore resulting in favourable outcomes.
- NEA would like the administrator to try and estimate the impact they are directly having in helping to deliver the Government's Fuel Poverty commitments.

¹ For more information visit: www.nea.org.uk.

² NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.

³ ONS, Household debt in Great Britain: April 2016 to March 2018, December 2019.

⁴ See: <https://www.nea.org.uk/research/surviving-the-wilderness/>.

⁵ https://www.nea.org.uk/wp-content/uploads/2021/02/NEA-Response-to-Ofgem-Forward-Work-Programme-21_23_Website-1.pdf