



## Committee on Fuel Poverty

### Energy Retail Markets – Ofgem Call for Evidence

#### Comments from the Committee on Fuel Poverty

The Committee on Fuel Poverty (CFP) is an Advisory Non-Departmental Public Body sponsored by the Department for Business, Energy and Industrial Strategy (BEIS). Its role is to advise the Government on tackling fuel poverty in England. For further details on CFP's current and past work in taking forward its remit, please see its webpage on [here](#).

The Committee thanks Ofgem for the opportunity to comment on its proposals to enhance customer protection in the energy retail sector. These are general reforms and not focussed on the fuel poor but we felt it was important to offer some brief comments below to ensure the needs of fuel poor households are considered as part of Ofgem's proposals.

We have already submitted a response to the specific consultation on **Supplier of Last Resort** but take this opportunity to reiterate our view that in the short term we see a very strong argument for the exceptional Solr costs to be met through taxation rather than through the bill. We feel these costs were a result of a failure in both regulation and markets. The failure of regulation resulted in the lack of scrutiny over market entry and a lack of stress testing of suppliers on an on-going basis. Punishing fuel poor households by loading these costs onto their energy bills without consideration of their ability to pay is both unfair and unethical when the cause of the problem rests with Ofgem.

We strongly recommend that Ofgem ensures that all **new entrants** are fully committed to, and are able to deliver, the principles of the regulator's vulnerability strategy. All suppliers must have the capability to respond positively to customers who are in, or at risk of, fuel poverty through meaningful social programmes and support. As affordability is becoming more of an issue for an increasing number of households, Ofgem must police the way in which companies help customers to budget and receive regular and accurate bills and manage debt repayment plans.

Ofgem and energy companies should also play a key role in helping government and local authorities to identify fuel poor households so that policies and programmes which are aimed at either assisting households to pay their fuel bills or improving the energy efficiency levels of their homes can be accurately targeted to those most in need.

In general, we are not supportive of **policy costs** being put on the energy bill as this is regressive compared with using the tax system. However we recognise that the Fuel Poverty Strategy for England depends on ECO and WHD and any move to remove these policies at their current levels will require significant additional public funding of at least £1.5b a year. Policy costs have been steadily increasing and the poorest households are expected to pay the same fixed rate as more affluent higher users. More effort should also be made to ensure that access to the benefits of these policies is also fair and includes those on the lowest incomes. If the Government decides that policy costs

will remain with energy customers, Ofgem should consider the consequences of sharing costs between gas and electricity with analysis on the impact on fuel poverty and achieving Net Zero.

It is essential that we ensure a fair transition to a low carbon economy, which will require households in fuel poverty have access to **low carbon technologies** e.g. solar panels, battery storage, smart thermostats, heat pumps, LED lighting etc. Ofgem should support specific incentives to those in fuel poverty to allow them to install these newer technologies which often come with a high up-front capital cost. It is also important that users are taught how to use any unfamiliar technology. Where higher running costs might result Ofgem should ensure supplementary works such as insulation are installed and that energy bills for low income householders do not increase.

The current Default Tariff has been necessary to protect consumers from a market which is opaque and which still has a two tier market between those who search for deals and those who don't. Over time we see the likelihood of bills having a higher fixed cost element and a low variable element, as more energy is produced with a lower marginal cost. We therefore think that there may be the need for a **social tariff** which could replace the Default tariff and would be more targeted towards the poorest consumers.

Yours sincerely,

A handwritten signature in dark ink, reading "D.R. Blakemore". The signature is written in a cursive, flowing style.

David Blakemore  
Chair, Committee on Fuel Poverty