

08 February 2024

Introduction

The Committee on Fuel Poverty (the Committee) is an advisory non-departmental public body sponsored by the Department for Energy Security and Net Zero (DESNZ). The Committee advises on the effectiveness of policies aimed at reducing fuel poverty and encourages greater co-ordination across the organisations working to reduce fuel poverty.

The Committee welcomes the opportunity to comment on Ofgem's Forward Work Programme for 2024/025 and significant implications for households in fuel poverty where the areas align most closely with the CFP remit.

Response and Comments

The consultation document foreword recognises that:

‘Over the last two years, our energy system has faced the biggest challenges we have seen in living memory. We speak to energy customers regularly, and even with the support available, it is clear that many find themselves struggling to afford the energy they need.’

At 3.1 in the discussion paper it states:

“While the retail energy market has stabilised compared with last year, energy prices are still around double what they were, and risks remain in international energy markets.”

Prices are still nearly double what they were three years ago as the price cap in January 2021 was £1,138 and the current level is £1,928. It is crucial that Ofgem, as the energy regulator and the organisation with most ability to gather data and see the picture in all its detail, is active both in arguing the case for helping those struggling to pay their bills, and in acting to help those people.

Consumer interest framework

Whilst we welcome Ofgem's 'consumer interest framework' (paragraphs 1.6-1.7) we are concerned that it talks only of supporting action to minimise consumer welfare risks, such as fuel poverty and self-disconnection which risks taking, or appearing to take, a passive approach to key issues that affect the customers who are relying on their regulator most to help them at this time. It also feels at odds with the tone of the

foreword, which starts by emphasising the importance of Ofgem doing everything it can to support customers.

We would encourage Ofgem to eliminate any ambiguity in its work plan about working to support the financially vulnerable, rather than risk appearing to just support others doing it.

Drive up standards - Protecting vulnerable consumers

Ofgem proposes three areas of work: continuing to monitor suppliers to ensure they meet their obligations to vulnerable customers in full; continuing work to expand the scope of effectiveness of the Priority Services Register; and planning to review its Consumer Vulnerability Strategy from 2019.

We welcome Ofgem's proposals in this area. However, we note the first two could be viewed as continuing its business-as-usual activity, and the only new initiative proposed is a 'plan' to review a strategy to determine what else it could do to support consumers in vulnerable situations.

In year 5 of a 6-year Consumer Vulnerability Strategy 2019-25 we would expect Ofgem to be preparing a new strategy, having already completed a review of progress half-way through the strategy. But given where we are, we urge Ofgem to prioritise this review and to be ambitious in scope of what it can and should do to help vulnerable consumers. And in doing this it should explicitly consider what it can do, and what it can help government to do, for those in financial vulnerability.

Ensure fair prices – Price protection and fair prices.

The Committee directs Ofgem to the CFP response to Ofgem's Call for Input on Standing Charges which addresses the significant implications for households in fuel poverty.

The Committee would like to see further investigation on the impact of additional costs on low-income households before they even use any energy (looking at annual costs to demonstrate the extend of impact on low-income households) as part of a fair transition to net zero.

Promote competition and investability - Consumer participation in the future retail market

We welcome Ofgem's commitment to protecting the interests of consumers as new products and services emerge and spread. In doing so we urge Ofgem to ensure that in doing so it has a clear focus on ensuring that those who struggle to pay their bills do not lose out on the benefits of new products and services, and that how these can benefit vulnerable energy consumers, ensuring a just transition, is always fully considered in all its work in this area.

Support innovative and evolving markets - Heat network regulation

We welcome Ofgem's appointment as the regulator of heat networks. As part of its work in this area we encourage Ofgem to ensure that users of heat networks pay fair prices for heating their homes, and that there are appropriate protections in place for those struggling to meet the costs.

We welcome Ofgem's continued focus on the efficient delivery of government schemes. In doing so, we would encourage Ofgem to make best use of the data it gathers to identify if there are any areas which are not receiving the amount of support that their levels of fuel poverty might suggest is appropriate. This would allow Ofgem, or government or third parties to help to ensure those most in need of energy efficiency measures to escape fuel poverty do not lose out by factors outside of their control.