



Campaigning for Warm Homes

Consultation on Ofgem's Forward Work Programme FY2013-14

Comments from National Energy Action (NEA)

Background

NEA is a national charity working to ensure affordable energy for financially disadvantaged and vulnerable households. NEA seeks to promote this objective through a wide range of activities including:

- Policy analysis and development to inform NEA's campaigning work
- Rational and constructive dialogue with decision-makers including regulatory and consumer protection bodies, relevant Government Departments, the energy industry and local government
- Practical initiatives to test and demonstrate the type of energy efficiency programmes required to deliver affordable warmth
- Training and educational initiatives to improve knowledge and understanding of domestic energy efficiency among consumers and to ensure a skilled workforce across the energy efficiency industry.

Since fuel poverty results from a combination of inadequate heating and insulation standards, low household income and high energy costs NEA seeks to advance policy across all of these areas. We also recognise the compelling need for an effective consumer protection infrastructure in identifying and addressing consumer detriment in the competitive energy market. NEA values the constructive role taken by Ofgem across all of these areas and welcomes the opportunity to comment on how this role might be further developed and strengthened.

Whilst recognising that the work of Ofgem extends beyond fuel poverty-related issues, our comments inevitably focus on the potential role of the regulator in protecting and promoting the health and wellbeing of financially disadvantaged vulnerable households.

The substance of Ofgem’s policy, the proposed budget and spend, and the programme of deliverables

NEA Comment: NEA welcomes Ofgem’s affirmation that affordable energy should be at the heart of energy policy and recognition of the fact that this objective is challenging, and made all the more so, by parallel imperatives to ensure secure and sustainable energy supply. We note that Ofgem’s interpretation of sustainability encompasses initiatives to protect vulnerable households, promote energy saving and demand-side response and meet environmental targets.

Ofgem’s remit and priorities fit well with NEA’s own key aims and objectives since we take the view that the most effective and sustainable solution to fuel poverty is found in programmes to improve heating and insulation standards in dwellings in order to provide affordable warmth.

Promoting value for money

NEA Comment: We understand the regulator’s concern to ensure value for money in the retail market at a time of increasing energy costs, but are disappointed to see measures to combat fuel poverty listed as a factor in the upward pressure on energy prices without additional comment. Clearly programmes such as the Energy Company Obligation and the Warm Home Discount impose additional charges on energy consumers but the social purpose is generally to be commended and such levies are unavoidable in a policy environment where Exchequer funding is being withdrawn. We would wish to see Ofgem being more vocal in discussing both the regressive nature of consumer-funded policies and the iniquitous termination of the Warm Front programme.

We have previously commended the intentions behind Retail Market Reform to make markets fairer and simpler and have also supported the regulator’s work to offer additional support to vulnerable consumers. We welcome Ofgem’s commitment to act on any evidence of wholesale market abuse as a fundamental element in regulatory oversight. Similarly we endorse the regulator’s determination to eradicate mis-selling from the retail market.

Promoting security of supply

NEA Comment: It is axiomatic that security of supply is a prerequisite of effective action on fuel poverty. We note Ofgem’s case that declining indigenous gas production and the retirement of older polluting electricity generation are compelling drivers of Electricity Market Reform (EMR). However we have repeatedly queried the Government’s optimistic view of the impact of the need for £110 billion in new investment to meet

decarbonisation aspirations. NEA believes that this level of investment must have seriously detrimental impacts on low-income consumers and on the scale of fuel poverty. We recognise the strength of the environmental case but believe that this can only be legitimised where the social case is given parity; we would expect Ofgem to support the first principle of 'do no harm' in assessing policy development and to support proportionate remedial measures on behalf of fuel-poor and other disadvantaged households.

Promoting sustainability

NEA Comment: This is the section in which we would hope to see outlined Ofgem's contribution to policies designed to eradicate fuel poverty as required by the Warm Homes and Energy Conservation Act 2000. The absence of significant innovative proposals is therefore extremely disappointing. NEA did support Ofgem's broader understanding of vulnerability as a 'dynamic' concept but we would welcome a more constructive engagement in the fuel poverty debate and more active regulatory intervention in support of fuel-poor households. We have previously noted Ofgem's support for hypothecation of carbon tax revenues¹ as a source of supplementary funding for fuel poverty programmes and believe that advocacy of policies is a valuable and legitimate role for the regulator.

Ofgem proposes to continue monitoring of supplier debt and disconnection practice but this represents a bare and inadequate minimum. The real priority is for enhanced measures to pre-empt the circumstances that can lead to debt and/or disconnection or, as a minimum, action to prevent the build-up of unmanageable debt.

Ensuring efficient delivery of Government consumer and environmental programmes

NEA Comment: We note Ofgem's determination to develop and deliver the Government's new Energy Company Obligation and to ensure that it is well designed and allows for efficient delivery. The Affordable Warmth and Carbon Saving Communities Obligations will represent the only practical form of assistance for fuel-poor households in England and it is crucial that the beneficial use of these funds is optimised. We are aware that suppliers encountered difficulties in complying with their Super Priority Group targets within the Carbon Emissions Reduction Target and this failure must not be repeated.

¹ Market is Sound – Ofgem assures Chancellor, Ofgem Press release, January 16 2008

The Affordable Warmth element of the Energy Company Obligation seems likely to pose similar difficulties in delivering its objectives unless engagement mechanisms are significantly improved. As a minimum, Ofgem should ensure that energy suppliers fully utilise the data-sharing provisions of the Warm Home Discount which provides a direct link to a substantial segment of Affordable Warmth-eligible households.

NEA recognises that Ofgem's remit may be constrained in terms of developing and implementing programmes but we see no reason why the regulator should not counsel Government where the interests of vulnerable consumers are jeopardised. For example we also note Ofgem's previous comments in relation to funding streams for fuel poverty programmes where the regulator was adamant that resources should be provided through taxation rather than through regressive levies on consumer bills.² Yet we are currently in a position where Exchequer funding is withdrawn and consumer levies are increasing. The Governments of Scotland and Wales continue to fund their own programmes through their own budgets leaving England unique in having no Government-funded energy efficiency programmes.

NEA shares the view that taxation is a more equitable means of funding social policy objectives but also recognises that the Westminster Government is not receptive to this argument. Consequently, and as a minimum, it is essential that financially disadvantaged vulnerable households receive a greater share of finite resources. We would expect Ofgem to be vocal in helping make this case.

NEA values Ofgem's role in establishing and monitoring the operation of the Warm Home Discount but would urge the regulator to do more in advancing the case for increased mandatory assistance for the most vulnerable households and for entitlement to be based on meeting eligibility criteria without the application of first-come-first-served or alternative discretionary provision.

RC/18.02.2013

² 'Our Energy Challenge': Ofgem's response, May 8 2006.