



Action for Warm Homes

Dermot Nolan
Chief Executive
Ofgem
9 Millbank
London
SW1P 3GE

National Office
Level 6 (Elswick)
West One
Forth Banks
Newcastle upon Tyne
NE1 3PA
Tel: 0191 261 5677
Fax: 0191 261 6496
e-mail: info@nea.org.uk
<http://www.nea.org.uk>

2 February 2015

Dear Dermot

NEA welcomes the opportunity to respond to Ofgem's consultation on its Forward work programme for 2015-16, in particular NEA welcomes the focus on securing benefits for those struggling to pay their bills.

1 Substance of the Policy

1.11 NEA would encourage Ofgem to build into the £81m network innovation fund a requirement that a percentage of projects address the needs of those customers who struggle to pay their bills, or that the companies set out explicitly how their projects will address the different customer segments, and ensure that this fund is used to assist the whole customer base. It will be particularly helpful to understand how projects achieve value for money for customers to support the design of future projects against some baseline criteria. Ofgem should state how these activities may reveal benefits for the broader base of network users. For instance, measures enabling more efficient use of energy for fuel poor households through alternative heating technologies or in-home measures that would offset the need for wider network reinforcement saving all consumers money.

1.15 Demand-side response in the domestic sector has been much talked of but little acted on and this will be a welcome focus particularly in low income communities where interventions could address fuel poverty. Ofgem should support permanent demand reductions, and not just demand shifting, for the reasons given above.

3.2 Principles-Based regulation may lead to more innovation within the sector but during the period of transition from more prescriptive standards, it will be important to ensure customers know what they can expect and that this does not undermine their confidence in company services. Ofgem should help communicate this change to third party advisors operating at a local level.

Continued..../

the national energy action charity

There is a risk that individual interpretations could lead to a wide divergence in practice across suppliers and in enforcement action which could further erode customer confidence.

3.4 To maintain customer confidence, Ofgem should maintain an ongoing review and challenge role into the Standards of Conduct, challenging and ultimately, of course, enforcing companies to put right any areas of weakness to avoid non-compliances wherever possible.

3.6 The development of the Vulnerable Customer strategy is welcome and it should set out where possible the contribution this will have to the Government's new Fuel Poverty Strategy for England and the strategies in the devolved countries. This could be reviewed by the Sustainable Development Advisory Group.

A specific remit could be to ensure suppliers are using current data sharing powers to better target and improve the cost effectiveness of delivery of both the Energy Company Obligation (ECO) and the roll-out of smart meters; and that they provide a dedicated extra help team with an associated customer service number.

Areas for the vulnerable customer strategy to address include:

- How to cut average levels of electricity and gas debt for consumers on a repayment plan by prioritising energy efficiency measures for these households
- How to deliver an increase in the number of free gas safety checks and low-cost CO alarms to vulnerable households as part of the roll-out of smart meters
- How to standardise supplier policies to replace pre-payment meters (PPMs) with standard meters and ensure they do not charge vulnerable consumers an up-front fee for this switch.

4.9 It would be more accurate to describe the innovation and LCNF projects as customer funded rather than Ofgem-funded. Ofgem of course approves and sets the criteria but ultimately the costs for these significant funds are passed on to customers through regulated price controls.

5.2 There is no doubt that there have been welcome improvements in clarity of information and fairer treatment of customers due to RMR. Continued clear communications from Ofgem to third parties on how it is monitoring and enforcing standards will be necessary during the period of political uncertainty in the coming year. There is also a role for Ofgem to ensure intermediary agencies provide clear information and the best deals for all customers.

5.6 It would be helpful if Ofgem were more explicit about what it will be doing differently/more of and the anticipated results of this enhanced market monitoring. Additionally, Ofgem should consider introducing new reporting mechanisms on which network reinforcements DNOs have made over the year and which stakeholder agencies (local authorities, social housing providers and obligated parties, eg suppliers delivering ECO) they have consulted to assess an 'alternative investment' to defer load related network reinforcements and deliver direct social benefit.

Ofgem should also publish a review on the extent to which policy delivery decisions are causing distortions within the competition of the energy market; in particular the current (and growing practice) of exempting smaller suppliers from environmental and social obligations and programmes and whether this is sustainable in the longer term.

NEA would also welcome Ofgem's assessment of the extent to which HM Treasury is currently benefiting from energy consumers and explore the way in which VAT is applied to all consumer funded levies.

Yours sincerely

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a long, sweeping horizontal line that ends in a small hook.

Jenny Saunders OBE
Chief Executive

