

## **Response from Marches Energy Agency on Ofgem consultation: Allocation of voluntary redress payments in the context of enforcement cases.**

*Non- confidential version*

### **General background on MEA:**

Marches Energy Agency is based in the West Midlands and is a small independent, honest-broker charity providing advice and practical support for householders in fuel poverty to install measures, access additional financial support, reduce energy costs and improve health and wellbeing. Householders cover all tenures, fuel types and property archetypes including solid wall and park homes. We also work with an extensive range of partners including Local Authorities, Age UKs, CABs, Housing Associations, community networks and installers.

We are funded to provide this service across 7 Local Authorities in the West Midlands with a fuel poverty population of over 55,000 householders. Currently we directly reach nearly 2,000 of these annually. At this rate we'll be able to help every existing fuel poor household once every 27 years. There is no other service in these Counties providing such independence.

Our work seeks to bring together different funding sources using Local Authority funding as a basis for the provision of a phonenumber service. On to this we bolt a variety of other activity as funding allows. In the current year this includes home visits, training for frontline workers and consumer engagement sessions, general energy saving advice, practical support with switching, accessing WHD, sign-ups for the Priority Services Register, electricity to gas fuel switches, generation of referrals for energy efficiency measures to a variety of installers, chasing installers to ensure measures are installed, blending capital finance to cover shortfalls in ECO2. We are also exploring opportunities for low interest finance through the local Credit Union, and with a Local Authority 0% loan.

### **CHAPTER 2: What we want to achieve**

**Question 1:** Do you agree with our objectives for the allocation of voluntary redress? If not, please explain why.

Yes agreed. It feels this has the potential to help alleviate cuts in Local Authority funding of the last few years, and bring some stability whilst ECO remains so uncertain.

**Question 2:** Are there any additional objectives or criteria we should consider when making a decision on our forward approach to voluntary redress? Are there things our approach should definitely include or absolutely avoid?

Nothing further to add

### **CHAPTER 4: Overview of options**

**Question 3:** What are your views on 'Option 1: Current process with enhanced principles'? Are there any other advantages, disadvantages, risks or costs relating to this option that we should consider?

I agree with the additional principles.

4.4 and 4.5 – I can appreciate there is a tension here. We have seen our own funding contract significantly over the last 4-5 years. We would entertain entering a bid for

anything more than £5k. This might sound very low to you, but for some projects is all the resource we have to cover a District Council area for a whole year. Realistically projects in the £10-50k region pa would sit much better. We could match that with existing Local Authority resource (if that is of interest to you), and this would give us, greater stability and allow us to enhance our existing services 2-5 times depending on resource.

4.9 – Could you operate some sort of tighter scheme? As an eg we currently provide a limited and seasonal fuel poverty offer focussed on PSR sign ups. This has just been renewed for its third year, and hasn't required a competitive tendering process. WPD undertook a programme of interviews and written submissions to assess our suitability ahead of the first funding round. It provides useful winter resource in Shropshire where there is no other independent fuel poverty offer.

4.10 – On timelines – we are used to providing bids on short notice timelines. 2-3 weeks is not unusual, but under these circumstances we are known to the funder, know when a fund is about to become available/ is up renewal, and are able to move quickly when it opens. If a similar process could be created, then quick turnaround times would be possible.

4.12/ Limitations – Anything that allows us to support the most vulnerable, in a more structured and deliberate way, is very much supported. We find energy companies very difficult to work with – they have no compunction in dragging you along for months, only for nothing to appear at the end. In addition we find they are perfectly capable of stopping at a moments notice, and when you are trying to help vulnerable customers to improve their lot, this is very unsettling. We have little choice but to engage with them, and when your interests align with their ECO obligation, they can make good things happen.

#### Advantages

From our perspective we will almost certainly continue to loose out. As a small/ regional charity we don't have the influence to become the energy company's favourite charity, but we are doing good work locally, and could do significantly more with even only modest additional resource.

Those that do have the ear and influence at the right level, will continue to benefit. I imagine from an energy company's perspective it is so much easier to give all your redress payment to 1-2 larger organisations with national reach.

**Question 4:** What are your views on the possible additional principles outlined in 'Option 1: Current process with enhanced principles'? Are there further additional principles that would help meet our objectives?

None come to mind.

**Question 5:** What are your views on 'Option 2: Responsibility given to a third party with appropriate expertise'? Are there any other advantages, disadvantages, risks or costs relating to this option that we should consider?

This approach would be welcomed, and I feel would give us a greater chance of accessing funding to support the most vulnerable in our predominantly rural corner of West Midlands. This is because we are too small to have influence with the energy companies, but much better known in the charitable sector, where we already work with a wider range of partners such as Age UK locally and NEA.

**Question 6:** How should the costs of the third party associated with allocating redress be funded?

Ideally from the energy company, in addition to the voluntary redress payment.

**Question 7:** Should the company that made the redress payment have an input into the approval of recipients under this option?

As above – anything that breaks the link between energy companies and recipients, from our perspective, would be a good thing, and give us a greater chance of better supporting vulnerable local householders.

**Question 8:** How can we ensure that smaller potential recipients can bid and are not disadvantaged compared to larger potential recipients?

Anything that you can do to support us locally, would be very welcome. In turn this would allow us to support many more of the 55k householders in fuel poverty in our area. Could there be some sort of screening/ pre-selection/ interview as the pre-cursor to 4.9 above? Do please reach down and come and find out more about our work, who funds us and how, what we do with it, and what we would like to do. If that in turn could be used to genuinely support what we are trying to do, that would be wonderful. In return we can provide small-scale, valuable learning, insights, partnerships and creativity in supporting the most vulnerable around energy issues in a predominantly rural setting. If we can find ways to develop relationships with PH, and to evidence the health benefits, I think this would help us leverage additional resource from PH/ CCG bodies.

As the Director of a small organisation, I am very heartened by these sorts of questions, and hope they will follow through to greater action.

**Question 9:** What are your views on this 'Variation on Option 2 – Voluntary redress payments go to a charitable trust set up by Ofgem'? Are there any other advantages, disadvantages, risks or costs relating to this option that we should consider, particularly in relation to the DAF provider model set out above?

I don't feel strongly about this. It seems a variation on option 2, but if it is likely to be more expensive, should be discounted.

**Question 10:** How should the costs of running a charitable trust set up by Ofgem be funded?

## **CHAPTER 5: An additional consideration**

**Question 11:** What are your views of the idea of using part of voluntary redress payments to support specific schemes? What are the advantages, disadvantages, risks

or costs relating to this idea? What existing schemes could be considered under this approach?

If they genuinely augment activity – then yes. The provision of £10k per BESN champion, as an eg, would be welcomed. However I wouldn't then want the State to cut its own funding seeing that someone else is providing it.

There is no mention of Local Authorities specifically. They provide the backbone of our fuel poverty work, and whilst staff and knowledge levels have been cut over recently years, they continue to be valuable partners. Could we propose our match from them to offer into your voluntary redress payments? As an example in one Local Authority we have funding to provide a phonenumber advice service for fuel poor householders, basic marketing, referral and signposting service, delivery a few events and undertake quarterly reporting. This directly reaches 3-400 vulnerable householders each year with independent advice. In addition we run the local Affordable Warmth network and have recently re-written the Council's Affordable Warmth Strategy. Onto this we seek and have secured additional funding for BESN, home visits, an additional £15k of capital from Public Health to cover ECO2 shortfalls, and hopefully some smart meter training, reaching at least double the basic service. All of this is patchy, lasting 6 months – 2 years. But the relationship with the Local Authority is key, and the voluntary redress funding could work with this to allow an existing service to be significantly scaled up.

The big disadvantage is that the LA might then take the view that it can then cut it's already meagre funding. Alternatively, it could also act as an incentive to then to match against it to create a new service, where there currently isn't one. It's difficult to judge until you approach them.

## **CHAPTER 6: Overall view**

**Question 12:** Which of the options in this consultation do you think should be used and why?

Option 2 is preferred. I feel it opens the field for smaller, regional and local organisations to benefit, not just the national ones, and in turn this will improve our reach and depth of engagement with local vulnerable customers. It also helps remove the link with energy companies whose preference for national providers makes it hard for us to benefit. It's interesting reading the language in here – it feels there is a genuine desire to help the most vulnerable, which is wonderful and so marked in comparison to the language of energy companies, which is just about discharging the obligation as quickly and cheaply as possible (and rooted in Govt policy). It also feels creative – we have considerable flexibility in how we tackle fuel poverty locally – there is so much more that can be done to provide a service for the most vulnerable that endures and is able to meet their needs, not just impose a one size fits all. The inclusion of some sort of pre-selection process by the third party to work with us ahead of funding calls would also be a very welcome addition and could help smooth funding allocations where these are relatively small.

**Question 13:** Should any other options be considered? If so, please provide an outline explanation of your suggested alternative option(s). Please also outline any associated benefits and costs with the alternative option(s).

Nothing further to add.