

AgilityEco Response to RIIO-2 Sector Specific Methodology Consultation

Summary and Key Requests

Thank you for the opportunity to respond to the proposals for the RIIO-2 sector specific methodology.

As a sector leader in low carbon and energy efficiency, focusing on supporting fuel poor and vulnerable customers, we have significant first-hand experience of the benefit that network companies can provide to vulnerable customers through their licence obligations and funded through their price control.

We welcome the focus on consumer vulnerability in the Gas Distribution Annex and have focused our response on that area (GDQ5-14). We believe that in general the proposals are positive, but that there are a few areas where we believe the controls could be strengthened. Most importantly:

- The proposed funding for the “use it or lose it” allowance (£15m-£30m over the whole price control period) is entirely inadequate to have a meaningful impact and to deliver the outcomes in Ofgem’s Consumer Vulnerability Strategy – it needs to be increased substantially.
- Whilst we of course understand that GDNs do need to isolate household gas supplies or disconnect appliances for safety reasons when a gas leak is reported, it should be seen as completely unacceptable going forward for vulnerable households to be left to resolve the issue themselves. GDNs should have a firm obligation, and commensurate funding through the price control, to support vulnerable customers to get their problem resolved and their supply reinstated.
- There should be greater emphasis on GDNs to better utilise their key touchpoints with vulnerable households to offer holistic support both directly and through a network of specialist partner agencies. These touchpoints include:
 - FPNES – funding first time gas connections
 - Emergency disconnections
 - Carbon Monoxide awareness and identification during home visits
 - Planned and unplanned works, liaising with vulnerable households affected
 - Priority Services Register (PSR)

Looking at the energy sector in its entirety, regulation and policy in the supply sector for vulnerable households is well developed, delivering invaluable support through funded schemes, most importantly ECO and WHD. However, even here policies and actions are disjointed and crucial opportunities are being missed as activity is very rarely coordinated or consistent. Adding network companies into the mix, the position becomes even more complicated. RIIO-2 is an invaluable opportunity to help shape the approach of network companies to maximise the benefit they can provide to fuel poor and vulnerable households and to drive for a joined-up approach in partnership with suppliers and other parties.

An introduction to AgilityEco

We work with energy suppliers, network companies, water companies, local authorities and housing providers to plan, fund and manage services to support households that need a helping hand.

Our work is funded primarily by energy suppliers' regulated obligations, namely the Energy Company Obligation (ECO) and Warm Home Discount (WHD). Collectively these obligations provide c.£1bn of support per annum to fuel poor and vulnerable households. Our role is to use these funding streams, plus others available from network companies, local authorities, etc, to deliver services to these households. By offering an extensive range of services we can offer a truly holistic package of services which we believe is quite unique in our sector (see table below).

Free Services are offered by AgilityEco to vulnerable and fuel poor households funded through a combination of different policy instruments, namely ECO, WHD, FPNES alongside other support offered via Local Authorities, Affordable Warmth Solution, etc.

Home visits – energy efficiency, benefits and income advice		LEAP (Local Energy Advice Partnership) is a free, energy-saving and money advice service that is helping people keep warm and reduce their energy bills without costing them any money.
First-time central heating systems		Warmer Homes and the Greater Manchester Warm Homes Fund support households with expensive and inefficient heating systems (such as storage heaters or open fires) to obtain free connections to the gas grid and first-time central heating.
Funding for insulation and heating measures		ECO supports fuel poor and vulnerable homes with funding for insulation and heating measures. These are provided through our outreach services and local supply chain partnerships. MyEcoHome is an online portal which checks if householders are eligible for funding for energy efficiency measures (such as insulation and heating) under the government's ECO scheme.
Replacement of old, inefficient appliances		HEART (Home Energy Appliance Replacement) supports households that need a helping hand through the replacement of old, inefficient fridges, fridge/freezers, washing machines and cookers with modern, efficient alternatives.
Emergency heating system repair and replacement		ECHO (Emergency Central Heating Offer) provides emergency assistance to qualifying households to repair or replace broken or condemned boilers. The Winter Voucher Scheme offers help to homeowners who cannot afford to repair or replace a gas appliance, such as a boiler or gas cooker, following a gas leak in their home.

Our innovative care and support services help with energy efficiency, utility bills, household finances and vulnerability, and deliver life-changing outcomes. Our impact in 2018 included the following:



We also manage applications to SGN for the Fuel Poor Network Extension Scheme across southern England. This involves engaging directly with residents to facilitate their applications as well as working with local partners to increase the number of applications made through innovative partnership projects. It also involves supporting these residents with funding and managing installation of their first-time central heating system – part-funded by GDNs through the Warm Homes Fund (established by National Grid and Affordable Warmth Solutions) and the SGN Central Heating Grant Scheme.

Through the wide range of schemes we offer to vulnerable households, we have a clear understanding as to how network companies can better engage with partners to deliver positive outcomes.

Specific Responses to Consultation Questions

GDQ5. What activities beyond those outlined in paragraph 3.12 should we consider when defining the role of the network companies in supporting consumers in vulnerable situations?

The activities outlined in Section 3.12 are all important but we believe it is important that GDNs should be able (and funded via the price control) to do more to look after the most vulnerable. This should include supporting and enhancing the deployment of energy efficiency and effective heating measures in certain circumstances.

Below are the customer touch points where we believe GDNs could use the moment of opportunity and provide more innovative and holistic support:

- 1. Fuel Poor Network Extension Scheme (FPNES):** Many eligible fuel poor and vulnerable customers miss out on the FPNES scheme as they cannot afford the installation of effective heating. We believe the FPNES scheme should include some support for first time central heating, for example, to enable GDNs to provide matched fund alongside ECO and other local or national funding. GDNs have recently been providing matched funding for in-home measures in order to hit their FPNES targets (for example through the Warm Homes Fund and the SGN Central Heating Grant Scheme), but we believe that this should become the norm in future. Whilst in certain cases there may be funding available to help fuel poor and vulnerable customers with the cost of first-time central heating from schemes such as ECO, it is by no means certain that these schemes will be available across the price control period, and in most cases the funding available falls substantially short of the installation cost, eliminating the opportunity for those most in need. Also, GDNs should use the moment of opportunity to include in-house energy efficiency advice and the installation of measures where needed. This may entail working with outreach organisations to help coordinate with Government, Local Authority and other funded schemes.
- 2. Carbon monoxide and safety awareness:** We agree that the GDNs have a role to play in preventing CO poisoning and educating on the dangers of CO, in homes and in schools and by working with the Fire Services and other authorised organisations, also by fitting other safety devices, such as locking cooker valves, where appropriate.
- 3. Responding to emergencies:** As well as identifying vulnerable customers and providing priority services, more focus is required for inclusive communication and a wider tailored care package. This needs to respond to individual needs for customers at risk and those particularly vulnerable in these conditions.
- 4. Reach out to fuel poor / vulnerable customers during planned and unplanned outages:** We believe GDNs have a role to play to provide a more holistic support service to achieve long-term outcomes. This could include triaging people's needs through home visits and working across a network of trusted local suppliers, agencies and charities, for the provision of energy saving advice, maximising income and wider essential welfare support.

A common thread to the activities above is partnership working – these outcomes cannot be delivered by a GDN operating in isolation. We believe that to best address vulnerabilities requires cross-sector partnership working, which we have significant experience of through our LEAP service (Local Energy Advice Partnership) and other community schemes. In 2018 we supported nearly 16,000 fuel poor and vulnerable households in partnership with over 160 local authorities and housing associations. If GDNs adopted our approach there could be effective liaison with public, private & voluntary organisations to:

- access ECO, Warm Homes Fund and other funding for energy efficiency measures and advice
- apply for the Warm Home Discount and other benefits the household are eligible for
- identify hazards, poorly performing appliances and other risks to welfare and refer them to an appropriate organisation (such as local authority enforcement teams and the fire service)

Ultimately this will deliver much more comprehensive and impactful support to vulnerable households, more effective targeting, and result in better coordination with government schemes.

To avoid the inevitable bureaucracy involved with setting up and managing multiple partnerships in different network areas it might be advisable to work with GDNs to develop a single national framework into which they could contribute resource and refer vulnerable customers to ensure maximum support for the household. This may be worth you considering for the 'use-it-or-lose it' allowance, which itself needs to be increased substantially.

GDQ6. Can you provide any evidence that shows how the boundary we have set out for the networks' role in consumer vulnerability could impact the benefits received by consumers in vulnerable situations?

One very important issue that we deal with is support for households after planned, unplanned outages and emergency disconnections. Households in fuel poverty are more likely to have old appliances that are not maintained or safe and cannot be reconnected after a gas outage. The impact of leaving a vulnerable household without heat, hot water or the ability to cook hot food can be devastating. We think that it is **unacceptable** that a GDN should leave a fuel poor/vulnerable customer disconnected after reporting an emergency or after repair works.

In areas covered by the voucher scheme that we run in partnership with SGN (see introduction to our services above), our fully-funded ECHO (emergency central heating replacement) scheme and HEART (white goods) schemes we have been able to receive referrals and respond quickly to support affected households.

SGN are admirably funding this their voucher scheme voluntarily in order to ensure its most vulnerable customers are supported in these difficult situations. We believe that ensuring vulnerable customers are supported in getting their gas supply or appliance problem fixed should become a firm licence obligation, properly funded through the price control. GDNs would then be obliged (and funded) to ensure that similar effective provision is in place nationwide to support any vulnerable household left in such a situation. National fuel poverty statistics

(https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/719106/Fuel_Poverty_Statistics_Report_2018.pdf) show that 11.1% of households are in fuel poverty – the numbers will be much higher if vulnerable as well as fuel poor households are included. There is a strong moral argument for GDNs to have funding to help with repair and replacement of unsafe broken appliances for fuel poor and vulnerable customers following emergency disconnections – this would also help to meet the aims of the Consumer Vulnerability Strategy.

Gas Distribution Network Emergency Disconnections in last 12 months

Estimated for all GDNs (based on data from SGN and Cadent)	160,000
Percent of homes in fuel poverty (see above)	11.1%
Estimated number of fuel poor disconnections	18,000
Average cost to reconnect (based on SGN Voucher Scheme)	£400
Estimated annual cost to safeguard fuel poor households	£7.2m per annum

Comparing this estimated £7.2 million cost per annum against the ‘use-it-or lose-it’ allowance proposal of £15-30m over the entire price control period, suggests the allowance would not even cover this essential support service alone. For the Customer Vulnerability Strategy to be meaningful, GDNs need to be funded to provide these essential services either through a significantly increased ‘use-it or lose-it’ funding pot or through another mechanism.

We would urge you to reconsider your proposal and assess the social and environmental impact GDNs could have if they had a more suitable amount of allowance. We would be happy to work with you to map out the potential in more detail.

GDQ7. What is your preference on the two approaches we have outlined to implement the allowance, and why?

We agree that the flexible strategy in Option 1 is preferable. It allows GDNs to adapt their plans as the needs of customers change and use learning from the first initiatives and partnerships to deliver iterative improvement.

GDQ8. What examples can you provide of initiatives that could be funded through the allowance, and please explain why these activities would not go ahead without specific price control funding?

We deliver a number of initiatives in partnership with network companies that help support vulnerable customers which could be replicated and expanded with additional funding. These include:

Our LEAP service: over the last two years we have partnered with Electricity North West who have invested in LEAP to allow them to refer their vulnerable customers (particularly those on its Priority Service Register) to the LEAP service for a home visit that offers energy advice, support in reducing bills and onward referral to appropriate services including an income maximisation service. Studies show that home interventions are the most effective way to support vulnerable consumers with multiple issues, but are resource intensive. Direct funding from Electricity North West has allowed the service to support over 350 households in the last two years delivering total lifetime bill savings of nearly £400,000, at a 4:1 social return on investment.

Vulnerable Customer Voucher Scheme: since the start of 2018 we have partnered with SGN to provide a voucher scheme that offers vulnerable customers a means to swiftly resolve gas pipework or appliance problems following disconnection/isolation by an SGN operative. Other than through this scheme there is no route for such customers to receive the help they need without recourse to their own limited funds. Our expertise coupled with SGN’s resources means that problems are dealt with now effectively and resources from other partners also brought to bear wherever possible.

In both cases the funding from the network company delivers a significant benefit to the customer and ensures that they receive the support they need in a timely manner when they need it most.

GDQ9. What is your preference on the three potential options we have outlined for a consumer vulnerability package, and why?

We agree that Option 3 – the Combined Package – is the most effective way to drive innovation and give GDN staff the greatest opportunity to support vulnerable customers. A minimum standard would not allow GDNs to shine and to make the most of the enormous potential their continued engagement with vulnerable households provides.

The possible definition of ‘vulnerable situations’ is very broad so drawing up clear parameters for the types of initiatives that the GDNs could fund will be very important. Once again, building networks and wider partnership working will be critical. If GDNs have sufficient resources available they can maximise their investment by leveraging other funding and the resources of the public and third sectors that is already targeted towards fuel poor and vulnerable households.

GDQ10. What should we include in the FPNES eligibility criteria in RIIO-GD2 to facilitate a well targeted, but effective scheme?

The change in the FPNES criteria to exclude areas in the bottom 25% of the Indices of Multiple Deprivation (IMD) was understandable but had a significant impact on the ability to deliver cost-effective connection solutions. Whilst targeting the FPNES towards households in fuel poverty is laudable the current eligibility routes can exclude households where there significant vulnerability due to factors such as age and disability. Households can also move in and out of fuel poverty and circumstances and tenancies change. The FPNES also lacks alignment with certain schemes – for example, the Warm Homes Fund (WHF) still retains the 25% IMD criteria.

We are currently managing three WHF projects on behalf of local authorities which will ultimately deliver around 3400 central heating installations nationwide. From our point of view further development of mapping tools and a move towards national standards/best practice would be helpful, as would the alignment of FPNES with other initiatives that support vulnerability.

We have two specific proposals for changes to FPNES eligibility criteria:

- We believe that an “infill mechanism” similar to the solid wall infill rules in ECO should be adopted, whereby as long as a minimum proportion (for example two thirds) of households in a gas mains infill scheme meet the FPNES eligibility criteria, the remainder could be classed as eligible. This will have the dual impact of enabling more infill schemes to be economically feasible (more households across which to spread the gas mains capital cost) and being fairer for the residents that would otherwise be left out – particularly given that homes and households slip in and out of fuel poverty on a regular basis.
- We believe that multiple premises being connected to mains gas via district or communal heating systems should be classed as multiple FPNES connections both for the purposes of funding and progress towards the FPNES target. It appears anomalous to us that these homes should be treated differently to individual connections, particularly now that the Heat Network Metering and Billing Regulations stipulate that each households should be metered and charged separately for their usage.

Our support of SGN through the “Help to Heat” demonstrates that many of those who benefit most from FPNES and central heating support are elderly and/or suffering illnesses, and often live in small houses or flats. It is notable that these households will mostly not fall within the “Low Income, High Cost” definition of fuel poverty, but do fall into the “Low Income and Vulnerable to Cold” (LIVC) definition contained within ECO Local Authority Flexible Eligibility (“LA Flex”). It is therefore important that there continues to be support for LIVC households though FPNES, ECO and other schemes throughout the price control period, either via a continuation/expansion of LA Flex or via other means.

GDQ11. How should we incentivise the GDNs to improve the targeting of the FPNES?

We currently support SGN in delivering its FPNES obligation in England, so we have a significant understanding of the challenges facing GDNs to identify and support fuel poor households. We are helping to develop a wide variety of initiatives with local authorities, housing associations and other partners that will deliver FPNES connections, but inevitably plans will need to adapt to changing

circumstances. It is only fair that the initiatives that deliver are the ones that get funded so we see your proposal that incentivisation should be based on outputs rather than plans as being more effective and more likely to deliver the results required.

GDQ12. How can we ensure that the FPNES is better coordinated with other funding sources to provide a whole house solution for the household?

It is clearly in the interests of all concerned that a household connected to the gas main via the FPNES should also have a gas central heating system installed and other supportive measures provided. This will ensure the best use of that connection and to swiftly deliver lower bills and therefore value for money on the investment made. In many cases this will deliver an improvement in EPC rating of two bands, but not always. Some properties without gas central heating, especially period properties, will not achieve a Band C rating without significant retrofit process that may not be practical, attract full funding or indeed be desirable for the resident involved. However, GDNs should be able to evidence that these opportunities were at least explored and every effort made to achieve the best outcome.

To effectively coordinate the funding opportunities for a household from obligated funds, public, private and charitable sources can be complex and it would assist GDNs to be able to invest in and work as part of a national network that can bring appropriate skills and experience to bear.

GDQ13. What are your views on us requiring or incentivising the network companies to ensure that households receiving FPNES connections also achieve a target level of energy efficiency?

This seems a sensible approach. It is noted in the consultation that directly funding energy efficiency measures is not the role of the price control mechanism. However, the network companies are in a strong position to help vulnerable consumers access such funding – they are aware of the need and the eligibility and have some or all of the personal information required to validate an application for ECO and others schemes. By integrating other energy efficiency works and related support with the FPNES it would allow significant work to be done in one ‘big hit’ and avoids the costs associated with re-engagement of households at a future date.

GDQ14. Do you think the value of the FPNES voucher would need to be amended if the targeting of the scheme is increased? Please provide any evidence to support your view.

From our experience in managing first-time central heating projects and supporting GDNs with their activities, the majority of gas connections for individual fuel poor and vulnerable households are well within the maximum value allowable through the current voucher. Therefore a flexible approach to voucher value could potentially allow more connections to be made. One specific area of flexibility is that GDNs should be empowered to fully fund more expensive one-off connections alongside cheaper ones for community schemes involving multiple one-off connections, as long as the average is within the FPNES voucher limit. It appears to us anomalous that for an “infill scheme” involving both gas mains and service pipes, GDNs are allowed to “average out” the maximum voucher value across multiple properties, but not so in projects where one-off individuals are targeted that have not yet taken up a gas supply in areas with mains gas. These are often the customers most in need, that have never been able to afford the cost of a connection and a central heating system.