

Energy Saving Trust Response to Ofgem Consultation on Draft Consumer Vulnerability Strategy 2025

Introduction

The Energy Saving Trust are pleased to respond to the Ofgem Consultation on the Consumer Vulnerability Strategy. The Energy Saving Trust (EST) promotes the transition to a smart, decarbonised, decentralised energy system, focusing on energy use in homes, communities and transport. We deliver programmes on behalf of UK government and all three devolved administrations. Of particular note for this consultation, we interact with tens of thousands of vulnerable customers each year, particularly by delivering the Home Energy Scotland advice service on behalf of Scottish Government, and - working with British Gas – the outreach and engagement elements of Wales’s Nest national fuel poverty programme.

In addition to our comments on the Strategy, we ask you to note that The Energy Saving Trust has recently worked with UK Power Networks on a report, *Energy 2:0 Mind the Gap*, which examines the implications of aspects of the energy transition on consumer vulnerability. The report provides insight that may be useful as Ofgem moves forward with the implementation of this Strategy. This report identifies four current and future transitions in the energy market and then considers distributional impacts on vulnerability, assessed in terms of nine circumstances (such as low income, lack of market engagement, property constraints etc). The report considers the following market transitions:- Decarbonisation of heat; Growth of electric vehicles; Changes in consumption (including increasing use of smart technology); Decentralised generation and local energy. When this report is published (alongside UKPN and subject to their agreement) we would be pleased to discuss with Ofgem.

Question 1: Do you agree with the five priority themes and the outcomes we will aim for (as set out in chapter 3-7 and annex 2)?

1. We are comfortable with the priorities and the outcomes proposed in so far as they go. However, **we would have expected home energy efficiency to be a much more central topic in this strategy, given the strong relationship between home energy efficiency and affordability for vulnerable groups. As such we propose an additional outcome in Group 2, a review of how success against outcomes in Groups 3 and 4 will be measured, and changes to the narrative of the Strategy in Chapters 4,5 and 6.**

In this draft strategy, the term "energy efficiency" is not mentioned, with only passing references to ECO and limited discussion of fuel poverty (see below).

An energy efficient home affords the best protection against fuel poverty¹ and though fuel poverty is not the same as vulnerability - as your draft strategy notes at S4.6, fuel poverty

¹ ENERGY COMPANY OBLIGATION ECO3: 2018 - 2022 Final Stage Impact Assessment, BEIS 2018. P2 para 2. See also BEIS *Annual Fuel Poverty Statistics in England, 2019 (2017 data)*

rates are a key measure of affordability; further, a high proportion of fuel poor households are in vulnerable groups). It clearly should be central to your discussion of affordability.

The lack of mention of energy efficiency in this strategy is also odd given that your account of successes from the previous, 2013, strategy specifically identifies, as its third key achievement, actions you took to ensure successful delivery of energy efficiency measures under ECO (Section 1.5, third bullet).

- 2. We suggest an additional outcome in group 2 should relate to new delivery models and increased levels of support for action on energy efficiency measures in the homes of vulnerable customers.**

The issue of energy efficiency also needs to be integrated in text throughout Chapter 4 which discusses group 2 outcomes. For example, your review of fuel poverty as an issue at Ss4.6 and 4.7 does not mention home energy efficiency, nor government programmes in this area. This is despite the fact that it is a key determinant of and the best solution to fuel poverty, and billions are spent across the UK on fuel poverty energy efficiency programmes: ECO, Nest, Warmer Homes Scotland etc. The same goes for the discussion in this chapter of “lack of affordable heating for off-gas homes.” While network extension and related heating system improvement might – at a push – be described as an energy efficiency measure, clearly off gas homes can also benefit massively in terms of heating affordability from wider efficiency improvements from insulation or improvements in heating efficiency using existing fuels.

- 3. Additional measures of progress under outcomes in groups 3 should relate to vulnerable customers’ access to energy efficiency support and, for outcomes in group 4, service innovation in relation to energy efficiency delivery. Additional relevant accompanying narrative should then be introduced in Chapters 5 and 6.**

There is a huge potential for energy companies, both established and new entrants, to provide better service delivery and innovation to vulnerable customers around energy efficiency – with a major impact on long term affordability of energy and wider quality of life. These might include:

- New models for provision of advice and engagement on household energy efficiency to vulnerable energy customers, alongside other types of support around energy;
- Innovation in financing and delivery models: for example is there a potential for vulnerable customer focused activity building from SSENs SAVE programme which sought to reduce peak demand by installing energy efficiency measures²?

S4.3 – energy efficiency is expected to make the largest contribution to tackling fuel poverty 2018-2019.

² <http://news.ssen.co.uk/news/all-articles/2019/june/ssens-save-project-findings-show-significant-reduction-in-carbon-emissions-and-household-energy-costs/>

- New ways of delivering ECO to reach the most vulnerable customers – for example maximising the opportunities provided by “ECO flex” to work with local authorities to find new ways to access hard-to-reach vulnerable, fuel poor households

4. Heat Decarbonisation

Linked to the point about energy efficiency, we also suggest that further discussion of heat decarbonisation would be valuable in the Strategy. Outcome 2D reads: *We want new gas connections for fuel poor consumers who are not on the gas grid to be better targeted, to make sure those who need it most can benefit from the scheme and save on their heating bills*³. The Energy Saving Trust supports gas network extension (indeed we help deliver these programmes on behalf of devolved governments) as a policy, for the moment. However, we would also expect some discussion of heat decarbonisation given that BEIS’s stated ambition is “to phase out the installation of high carbon fossil fuel heating in buildings off the gas grid during the 2020s.”⁴ Specifically, how will Ofgem work with government to assess the ongoing use of FPNES as a mechanism to reduce costs for some customers, particularly during the latter years of the period covered by this strategy?

Question 2: Do you agree with our approach on affordability? While we recognise this is a concern for many consumers in vulnerable situations, we think addressing wider affordability pressures is mainly a matter for government to address.

See question 1 above - we would have expected home energy efficiency to be a more central topic in this strategy, given the strong relationship between home efficiency and affordability for vulnerable groups. (see para 1 and footnote 1 above).

Question 3: What more could be done through energy regulation to assist consumers in vulnerable situations in the longer term? How should any such further measures be funded?

There is currently an unprecedented and very well documented consensus from parliamentary and government statutory advisory bodies - the Committee on Fuel Poverty, the Committee on Climate Change, the National Infrastructure Commission and the BEIS Select Committee - that additional government activity and taxpayer funded investment in home energy efficiency in England is required to meet legally-binding fuel poverty and carbon emission targets.

Question 4: Do you agree with our proposals for the first year of the strategy?

Our response focuses on energy efficiency. Clearly, for Ofgem, much of this is in the context of the ECO programme and its successor scheme. We highlight for this draft strategy the importance of the government's work to plan for the replacement/next phase of ECO after 2022, as well as the current work on the revised Fuel Poverty Strategies for Wales and for England which are forthcoming.

³ It’s worth noting that Ss 4.26-4.29 relating to Outcome 2D are overall a bit weak. The outcome relates to targeting improvements but the section doesn’t describe any problem with targeting currently, nor explain what type of improvements are envisaged so it’s hard to know why this outcome has been chosen.

⁴ *Clean Growth - Transforming Heating Overview of Current Evidence*, BEIS December 2018 P.4

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8th August 2019