

Open Letter Consultation on approach to setting the next electricity distribution price control (RIIO-ED2).

CONSULTATION RESPONSE FROM AGILITY ECO SERVICES LIMITED, October 2019

Thank you for the opportunity to respond to this consultation, on the approach to setting the next electricity distribution price control (RIIO-ED2).

About AgilityEco

AgilityEco is a leading organisation in the field of low carbon, energy efficiency services, providing practical support and advice to vulnerable and fuel poor customers.

We have a track record of working in collaboration across the commercial, public and not-for-profit sectors, optimising available funding and providing a market-leading range of services. In 2018 we supported nearly 16,000 fuel poor and vulnerable households in partnership with over 160 local authorities and housing associations.

We plan, manage and deliver innovative schemes to support households that need a helping hand, specifically providing practical help with energy efficiency, utility bills, household finances and vulnerability.

AgilityEco currently works with fifteen utility companies, eleven of which are obligated energy suppliers, the remainder being network distribution companies and water companies. These companies rely on us to fulfil their social and environmental obligations by funding fuel poverty and vulnerability programmes. We work with local authorities, multiple housing associations, intermediaries and charities across the UK, to help support residents through community energy and water efficiency programmes. We have designed and deliver a range of flexible programmes including:

- [Local Energy Advice Partnership \(LEAP\)](#) which is a holistic outreach home visit service supporting vulnerable households with energy efficiency, safety, income maximisation, financial support and access to other welfare and wellbeing support.
- [Emergency Heating Offer \(ECHO\)](#) which is an emergency heating repair / replacement service for vulnerable households in distressed 'no heat situations.
- [Home Energy Appliance Replacement \(HEART\)](#) supports households that need a helping hand through the replacement of old, inefficient appliances, fridges, freezers, washing machines and cookers, with modern efficient alternatives.

Our work is funded primarily by energy suppliers' regulated obligations, namely the Energy Company Obligation (ECO) and the Warm Home Discount (WHD). Our role is to optimise these funding streams, plus others available from network companies, local authorities and water companies etc, to deliver services to households. By offering an extensive range of services, we can offer a truly holistic package that is tailored to every resident's individual need.

Here are links to more information about [our programmes](#) and AgilityEco's [proposals to help the vulnerable and end fuel poverty by 2030](#)

As a sector leader in our field, we have significant first-hand experience of the benefit that network companies can provide to vulnerable consumers, through their licence obligations and funded through their price controls.

Our response is thus focused on our concern for vulnerable customers and the provision for them in the next RIIO-ED2 price review.

Summary and key requests

We are pleased to see in the introduction of this consultation, Ofgem highlights the importance of **protecting and helping fuel poor and vulnerable customers, by understanding their needs and tailoring their services in response, in the next price review.**

We are also pleased to see that vulnerable customers are core to one of Ofgem's proposed overarching output categories;

'Network companies must deliver a high quality and reliable service to all network users and consumers, including those in vulnerable situations'.

However, after the introduction, there is little mention throughout the consultation of DNOs consideration of vulnerable customers. For example, there is no mention of it in 'Giving consumers a stronger voice' or 'Forecasting and scenarios' when we would expect a strong focus on vulnerability and 'hard to reach' consumers.

Key request 1: Ofgem to ensure vulnerability is core to all planning, major decision making, future activities and outcomes for RIIO-ED2.

This will avoid vulnerability being compartmentalised into limited categories and importantly will ensure alignment of the price review framework to Ofgem's Consumer Vulnerability Strategy outcomes.

Vulnerability is a growing issue in the UK, with 4 million UK households in fuel poverty, unable to heat and power their homes adequately. There are reportedly 11 million people in the UK with a limiting physical or mental disability (NAO 2017). Single parents – there are 1.9 million families consist of a single parent and dependent children. According to the Alzheimer's Society, it is also estimated that 1 million people will have dementia in the UK by 2025. The UK population is getting older. It is projected that 20.5% of the population will be 65 or over by 2026. Hence, a large and growing population are undoubtedly going to need additional support from utilities.

AgilityEco takes the firm view that all players in the energy sector, Suppliers, DNOs and GDNs should take every opportunity to identify and support vulnerable consumers, no matter what their circumstances are.

DNOs should not only support vulnerable consumers when and in relation to a loss of supply and the Priority Services Register (PSR) but they should also play their role in providing wider practical help. This should include providing support to consumers struggling to stay warm, have insufficient and poor heating systems, or have broken down appliances that they cannot afford to repair or replace and are at risk of health and safety hazards in their home.

In addition, these engagement opportunities with vulnerable consumers enable DNOs and qualified partners to include appropriate in the future energy system. This may be explaining the benefits of a smart meter or smart devices as first steps for example.

Key request 2: RIIO-ED2 price review provides the framework to ensure DNO play a wider role in addressing affordability and vulnerability.

However, it is recognised that DNOs interaction with consumers are generally limited to occurrences of emergencies and disruption to the supply and therefore cannot be expected to provide all practical help and support alone.

More collaboration is therefore required with local government the health sector and intermediaries, to utilise local knowledge and data and deliver local services. Local partners are needed to understand the consumer and the type of support the household needs, whether it's physical measures, or just advice and support to help vulnerable consumers save money and be warm and more comfortable in their home.

Key request 3: Specific measures to be included in the outcomes model to reflect partnership working at a local level to support vulnerable customers.

With our support DNOs could have an effective and coordinated liaison with public, private and voluntary organisations, to deliver more comprehensive and impactful support to vulnerable households with easy access to government schemes.

As we move to a low carbon energy system, with the right support and engagement, vulnerable consumers could benefit hugely from new technology, potentially 'time of use' methodologies, lifestyle products and devices. They could be active market participants in future trading platforms (through someone acting on their behalf). However, if their interests are not being considered as core to the changes throughout the transition then they could become even more disadvantaged in the long term, with even more barriers to access than today. Trusted third party intermediaries will have an important role as advocates of vulnerable consumers, throughout the transmission to the new energy models, to ensure their interests are protected and understood

Crucially, there needs to be sufficient funding for national provision of support of these services above, throughout the transition of the changing energy system. For the networks companies, this means making provision for support within the price controls. We are pleased to see that Ofgem have decided to retain the opportunity for network companies to receive reformed NIA funding in RIIO-2 for projects that are related to longer-term energy transition and consumer vulnerability. We would propose that is substantially more than is allocated for the 'use-it-or-lose-it allowance' for vulnerability projects in RIIO-GD2.

Key request 4: Ensure the required substantial amount of funding is available to deliver meaningful vulnerability programme through the price review incentive scheme.

We would encourage Ofgem to include a proportion of funding for shared projects across DNOs, similar to the arrangement under the use-it-or-lose-it allowance for GDN's. This would support the drive for collaborative working, best practice sharing across the sector and attaining scale and reach.

One solution for DNOs to make their contribution to these societal and environmental aspects, is for funding to be applied through the price review framework to outreach programmes approved by Ofgem. To avoid the inevitable bureaucracy involved with setting up and managing multiple partnerships in different network areas, it might be advisable to develop a single national framework into which DNO's could contribute resource and then to refer vulnerable consumers who they come into contact with, into that service for practical help.

We would like to see more collaboration and shared funding across Utilities - Energy Suppliers, Distribution Companies, Distribution Network Operators (DNOs), Gas Distribution Networks (GDNs) and Water Companies, working together to enable far greater life-changing outcomes for vulnerable customers.

Inability to pay for energy and water and experiencing vulnerability are common threads for many households. Providing basic assistance to those households on both energy and water services provides efficiencies and allows for deeper more effective engagement and better outcomes for customers. So, it would make complete sense for utilities to work together at a regional level and provided united support through one engagement route.

A cross utility funded approach could create broader more flexible and tailored packages of support to meet both energy and water company objectives. Joint funding could be made up of;

- NIA from DNOs
- Use-it-or-lose-it allowance and FPNEs from GDNs
- ECO and Warm Home Discount Industry Initiatives from Energy Suppliers
- Water company Innovation funding
- Local Authority funding

Key request 5: Collaboration between Regulators and Government departments to drive cross utility working and cross funding.

Shared funding to deliver services such as those through AgilityEco across a shared utility region would achieve far better life changing outcomes for the millions of low income and vulnerable households that need help.

This could involve;

- home visits providing energy efficiency and other energy related services, such as repair or replacement of old, efficient appliance with more efficient ones, saving money and carbon.
- telephone advice for help with income maximisation, welfare benefits.
- onward referrals to local safety social and welfare services.

This approach would have significant savings and provide wider socio-economic and environmental benefits;

Overall costs savings would be realised through:

- a joined-up approach of identifying those households most in need of help, through utility customers information, overlaid by local authorities and local agency knowledge.
- Joined up messaging and campaigns
- Integrated services and joined up engagement with the customer by trusted intermediaries, for example a home advisor providing assistance to households on energy and water.

The above makes economic sense as well as better served customers.

Responses to specific questions:

Question 1: Do you have any views on the proposed objective for RIIO-ED2

We support the objective that Ofgem have proposed and we are pleased to see that protecting vulnerable customers is one of the 3 priorities to carry out the principal duty to protect the interests of existing and future consumers.

We are pleased to see vulnerability is one of the overarching output categories that network companies are expected to deliver through the next price control

- **‘meet the needs of consumers including those in vulnerable situations’**

We would also expect to see vulnerability core to the other two output categories;

- Maintain a safe and resilient network and
- Deliver an environmentally sustainable network

We are disappointed to note that vulnerability does not appear to have this level of consideration throughout the consultation. We are surprised to see that consideration to vulnerable households is not covered under strategic investment, DSO functions, forecasting and scenarios, better use of data or giving consumers a stronger voice, when Ofgem displays vulnerability as a prevalence in the objective setting.

We would expect Ofgem’s Consumer Vulnerability Strategy five priority themes to be baked into the three outcome categories:

1. Improving identification of vulnerability and smart use of data
2. Supporting those struggling with their bills
3. Driving significant improvements in customer service for vulnerable groups
4. Encouraging positive and inclusive innovation
5. Working with partners to tackle issues that cut across multiple sectors

As vulnerability is a growing issue in the UK, a large and growing population is likely to need additional support from utilities and we believe DNOs have a key role to playing delivering Ofgem’s Vulnerability Strategy.

We urge Ofgem to ensure DNOs put vulnerability and Ofgem's strategy at the core of all decisions and activities as we move towards a low carbon energy system.

Question 2: To what extent should we take into account outcomes linked to decarbonisation targets, and what outcomes might this involve?

Market reforms, the emergence of new models and new customer propositions, should make it easier for consumers to engage. However, for the most vulnerable, barriers to engage with the future market will be even more prevailing. Vulnerable customers have the most to gain from the benefits of the future energy system, with new energy efficient equipment, lifestyle products, microgeneration and community trading platforms. However, if they are not protected and are left behind, they are set to lose the most. For these reasons, vulnerability should be considered and integrated when designing outcomes linked to decarbonisation targets.

We applaud the focus DNOs give to their stakeholder engagement forums. We would urge that more community representatives of vulnerable consumer groups and representatives from community outreach organisations such as AgilityEco sit on DNO advisory panels and play an important role in helping to design the outcomes model.

Question 3: Are there activities that DNOs are best placed to carry out in order to achieve these outcomes? What are the alternatives? Why would it be appropriate for energy consumers to fund these activities?

In the main, the emphasis for DNOs has been to identify and register eligible consumers onto the PSR and provide consumers with certain free support services.

We support Ofgem in encouraging DNOs to work with partners to identify the harder to reach and to design and deliver a wider range of activities outside the PSR scope.

We believe DNOs have a wider role to play in protecting and supporting vulnerable customers and we believe this has to be achieved through contributing funding to outreach programmes.

DNO members of staff have an important role in identifying and supporting vulnerable customers. We believe all engineers, field agents and customer service staff are trained to inform the consumer of the help and advice available, in relation to their supply and also provide information and referrals to extra support services. Most of the DNOs have set up specialist teams to facilitate referral systems, which can be the link to outreach programmes, such as AgilityEco's Local Energy Advice Partnership (LEAP). This is a holistic outreach service supporting vulnerable residents which is a gateway into other 'free to residents' offerings such as Emergency Central Heating Offer (ECHO) repairing or replacing heating for vulnerable customers in a no heat situation.

DNOs have already carried out commendable partnership working with the community energy sector. Funding will be required to engage hard to reach and otherwise disengaged groups and their representatives, throughout the journey towards new energy models, to avoid them being left behind and to take part in new and emerging energy markets,

Question 4: How should we assess DNO funding requirements and measure DNO performance in these areas?

We are pleased that Ofgem are expecting innovation to be at the heart of what network companies do and be integral to their business planning and incentivised through TIM.

We are particularly pleased to see Ofgem proposing to retain a reformed Network Innovation allowance (NIA). We assume from the wording in this consultation that the funding will be for projects related to longer term energy system transition with **customer vulnerability** at the core. We would like clarity on this funding being ringfenced to support vulnerable consumers through the transition and we would urge Ofgem to set clear criteria to that effect. We strongly believe that innovative outreach programmes co-designed and delivered in partnership with organisations such as AgilityEco and local intermediaries should be encouraged through this funding mechanism.

Funded programmes should provide the holistic urgent support required now, including energy efficiency and financial advice, whilst taking the opportunity to engage customers in steps towards the future energy system. For example, include advising customers about the benefits of smart metering and support them through the installation and usage of it and the introduction to new smart technology, such as smart thermostats to help them keep warm and save money.

We would like to see Ofgem encourage DNOs to engage with partners for the NIA funding, to adopt new ideas and co-design strategies and deliver innovative solutions, addressing the changing needs of customers throughout RIIO-ED2.

We would also like to see a percentage of this allowance, say 25%, ring-fenced for collaborative projects between the DNOs. This would help drive best practice sharing across the sector. Potential partners should be invited to bid to deliver these programmes.

An option could be to mandate that all DNOs provide some funding to one or more 'Ofgem approved' services in their region and then they offer the services to the consumers that they interact with, who need the extra help now and into the future.

We strongly support Ofgem's proposal for stringent and robust reporting mechanisms to include costs, benefits, outcomes and longer-term impacts. AgilityEco already have robust tracking models in place to provide this level of reporting and could provide support to DNOs to implement such models.

The NIA funding should be a fair substantial funding mechanism, to truly be able to deliver impactful wide-reaching programmes. The proposed funding for GDNs to support vulnerable consumers for example, through the RIIO-GD2 'use-it-or-lose-it' allowance (£15m-£30m over the whole price control period) is totally inadequate. We would anticipate the NIA allowance for RIIO-ED2 being substantially more.

Question 5: How should we incentivise DNO performance when the achievement of outcomes could be dependent on the actions of others?

DNOs should be encouraged to work with co-delivery partners to put forward to Ofgem their project proposals, with their costing, benefits and shared outcome model and proposals of shared rewards.

Questions 6-8: How to set price controls that support strategic Investment

We urge that vulnerability is at the heart of any strategic investment process set within the price review.

Question 20: We welcome views on whether these enhanced engagement arrangements are appropriate for RIIO-ED2

We support Ofgem's proposals for the stakeholder framework. We would like Ofgem to ensure vulnerable groups are well represented on the Customer Engagement Groups (CEGs). From our experience where a Fuel Poor and Vulnerability sub group is set up with highly experienced stakeholder representatives, this helps to ensure their concerns and needs are brought to the table and understood.

Likewise, the Customer Challenge Group (CG) should have sufficiently qualified experienced members to ensure vulnerable consumers voices are heard.

It is really important that expert stakeholders and organisations who have in-depth experience of working with vulnerable consumers have routes and opportunities to feed back their views and ideas to BEIS and Ofgem to advise future policy and activities.

Question 23: We welcome your thoughts on how to ensure that we continue to protect the interests of vulnerable customers, particularly in light of the energy system transition.

DNOs have an important role in identifying and supporting vulnerable consumers and we believe all engineers, field agents and customer service staff are trained to be able to inform the consumer of help and advice in relation to their supply, and provide advice and a referral on request to more widely extra support services.

Regarding identifying people eligible for the PSR, registering them and providing services, we have a point to raise on how vulnerable customers circumstances are recorded on the register and how that information is used.

Customers are registered through codes to describe their conditions. Some recent research carried out by a disability charity with a panel of consumers with a range of physical and mental related illnesses, highlighted the following;

People's circumstances are often very complex and individual and they need to be understood by utilities, through engagement with these consumers at an individual level, as they may have fluctuating conditions with a number of points to be addressed and unlikely to be picked up by a code on a database.

We propose that the PSR mechanism is reviewed through RIIO-ED2; what data is collated, how it is used, and what priority services are required by consumers who have long term or transient

vulnerabilities. These considerations should be taken into account when determining the future outputs for DNOs.

The sharing of quality and informative data between the energy and water industries, will become even more important going forward, to help limit the need for consumers to have the same, potentially stressful conversation regarding their vulnerable circumstances on repeated occasions.

Since the introduction of the Stakeholder Engagement and Consumer Vulnerability (SECV) incentive, some DNOs have displayed some commendable vulnerability programmes, such as their mapping tools to identify vulnerable consumers.

However, we would challenge the effectiveness of some of the activities that have been delivered and how far some of these programmes go to deliver wider measurable benefits for the consumer and the scalability and value for money that they present. Some of the programmes tend to be short term, such as the community small grants, often delivering a single method of support, rather than a holistic tailored programme of support to meet the needs at a household level.

We believe much of the issue of DNOs being very limited in designing and delivering impactful programmes with life changing outcomes, is due to the limited funding available. For example;

- the total rewarded under SECV for the whole DNO sector in 2017/18 was £16.19m
- A maximum of £4.08m, (25% of the total SECV) was attributable to supporting vulnerable consumers

This is not nearly enough funding to deliver large scale impactful programmes to have meaningful impact, to deliver to Ofgem's Consumer Vulnerability Strategy and to give consumers what they really need. This includes the physical measures of interventions such as retrofit and also some of the 'softer' elements of advice and emotional support.

We are pleased to see the NIA allowance will be a mechanism to address the above points.

Question 38: We welcome views on the proposed innovation stimulus. We are interested to hear views on the types of projects that should be funded through either NIA funding or a new funding pot.

As we are quickly moving towards a smarter, more decentralised energy future, all participants have a responsibility to protect vulnerable consumers and ensure the market works for everyone.

Whilst new models and innovative propositions are being developed, there will be an increasing need for energy efficiency to reduce demand, thereby reducing the grid capacity and generation capacity required. Domestic energy efficiency, including complete building refits and customer behaviour programmes, will need to continue to be prime activity throughout the transition to the future energy model.

In addition, the transition to a future energy model, provides an opportunity to break down the barriers that vulnerable consumers have historically been faced with and bring them onto a more

level playing field with other consumers. Innovative programmes will need to be designed and delivered which:

- enables vulnerable customers to benefit from energy efficiency retrofits, providing a warmer home and bringing bills down
- help with switching where that will reduce bills
- provide greater support during emergency loss of supply interventions, such as replacement of old inefficient appliances – both heating and white goods, with new more efficient and cheaper ones, saving money and carbon
- provide advice on finances and debt and assistance in accessing the better deals and Warm Home Discount
- increase home safety and reduce safety hazards
- support vulnerable households in conversions to smart meters
- introduce vulnerable consumers to innovative products, for example the free smart thermostats that AgilityEco provides through LEAP visits, to better control their heating and reduce their bills whilst staying warm and well
- ultimately improve the quality of their life

By delivering on the above and engaging with consumers face to face and through community outreach it will over time:

- empower vulnerable consumers to have a voice by giving them an opportunity to understand their energy use better and raise their awareness of the transition and possible options open to them
- motivate them to engage in the energy market and receive support to enable them to use apps and websites
- understand new energy equipment, embracing the installation of and optimising the use of a smart meter may be the first steps
- enable them to contribute to decarbonisation goals through community energy projects and low carbon technologies

For the most vulnerable it will be important to engage carers and family members to support them and ensure the people that they care for are protected, introducing them to lifestyle products to help.

During the transition to a more digitalised and connected environment, face to face engagement and telephone helplines will be key for many vulnerable households who do not have digital skills. Also, it will be important to have clear avenues by which a trusted third-party consent, can complete a consumers journey on their behalf.

DNOs have a huge role to play in the above and we believe the NIA funding should be used to co-create and deliver programmes to meet the above aims. Ofgem should encourage DNOs to work with specialist organisations such as AgilityEco to help co-ordinate large scale, wide reaching, impactful programmes by:

- bringing together local authorities, medical practitioners and local agencies to identify households in need of help

- make better use of central and local data to improve targeting on the ground
- optimise and dovetail into existing funding such as ECO, Warm Homes Discount Industry Initiatives
- co design and deliver programmes

The recent focusing on the Energy Company Obligations (ECO) fully on low income and vulnerable households, is a welcome boost to enable those in the greatest need, to benefit from limited and reduced funding. We believe the NIA funding should fund innovative programmes to dovetail into the ECO funding.

All the above will bring down the costs of targeting, deliver more customer focused outcomes.

Impact assessments could include:

- Bill savings through financial support and energy efficiency measures
- Reduction in fuel poverty, through warmer homes and increased incomes
- Savings to the NHS through preventing people having to attend Accident and Emergencies and allow earlier discharge from hospital stay

In summary

We are pleased to see Ofgem has included vulnerability in the objectives and outcomes for RIIO-ED2, but we would like to see vulnerability being a core concern throughout all categories in the framework.

Partnership working with organisations and community groups who are experts and representatives of a wide range of community groups is critical, to ensure 'hard to reach' groups are supported and benefit from new energy models.

We welcome specific funding through the NIA mechanism. Substantial funding is required to enable the reach and scale required for outreach support programmes.

Thank you again for the opportunity to comment to this important consultation.

Your sincerely



Gearoid Lane (CEO)