

## **Energy Action Scotland response to Ofgem's Forward Work Programme 2021/23 Consultation**

### **About Energy Action Scotland**

Energy Action Scotland<sup>1</sup> is the Scottish charity dedicated to ending fuel poverty. Energy Action Scotland has been working with this remit since its inception in 1983 and has campaigned on the issue of ending fuel poverty and delivered many practical as well as research projects to tackle the problems of cold, damp homes. Energy Action Scotland works with both the Scottish and the UK Governments on energy efficiency programme design and implementation. Energy Action Scotland welcomes the opportunity to respond to this consultation.

Energy Action Scotland's response focuses primarily on those areas that it considers may impact most on fuel poor and vulnerable consumers. Energy Action Scotland is not a health organisation, but we are concerned about the health impacts of living in fuel poverty and that respiratory conditions which are exacerbated by living in a cold, damp home make up a high proportion of Scotland's excess winter deaths, which are linked to living in fuel poverty.

We believe that Ofgem could do more to ensure that the needs of vulnerable and fuel poor consumers are reflected in its work programme for the period 2021-23.

### **Background to this response**

Over the last year Energy Action Scotland, alongside other consumer groups, worked with Ofgem to secure some key improvements in the treatment of domestic customers. We worked to ensure that low income and vulnerable customers had adequate protections in gas and electricity markets.

Some key achievements include:

- New electricity and gas supplier licence conditions to better protect households with prepayment meters who self-disconnect from their supply.
- A new principles-based licence condition for GDNs to treat their customers fairly (mirroring SLC0 for energy suppliers) from April 2021, and a commitment for DNOs to have a similar obligation from April 2023.
- Responding to the economic outcomes of the coronavirus pandemic through increasing the amount of funding for GDNs to address consumer vulnerability in their next price control RIIO GD2. Ofgem has taken positive steps to further help the most vulnerable energy customers over the last year. To continue this momentum, it is vital these key developments are built upon. Our consultation response below outlines how the proposed plan for the next two years could strengthen support for and protection of vulnerable and fuel poor customers.

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<sup>1</sup> [www.eas.org.uk](http://www.eas.org.uk)

## Our response to this consultation

The proposed forward work plan has a wide-ranging set of priorities for Ofgem to form a work programme in the years ahead, and we understand the significant challenge that Ofgem faces in helping the country to achieve its energy objectives. One aspect that the plan does not adequately address is consumer vulnerability, an area where Ofgem has made good progress in the past. This is disappointing and we believe that there should be renewed effort to address vulnerability given the growing social inequalities exposed by COVID-19.

In 2019, Ofgem published its new Consumer Vulnerability Strategy 2025, focusing on 5 key themes and with 5 commitments for the first year of the strategy. This felt very positive and indeed Ofgem has delivered against those commitments.

The Consumer Vulnerability Strategy runs up to 2025, and actions should be taken in each and every year of the strategy to ensure progress continues. In this Forward Work Programme, Ofgem should clearly set out its priorities and commitments for the second year of the strategy.

We believe that the following areas should be a focus:

### **Improving the identification of financial vulnerability**

With increasing numbers of individual households falling into debt with their essential household bills, both prior to and after COVID-19, it is becoming more challenging for companies to prioritise debt assistance. We recommend that Ofgem should work with companies to consider how a single definition of 'severe indebtedness' can ensure customers are treated fairly. This will allow suppliers to identify their customers who are most in need of support, and to help them accordingly. Ofgem and energy companies should also work to ensure that financially struggling households are more easily identified through the creation of a financial vulnerability flag or 'needs code' within the Priority Services Registers (PSR).

### **Ensuring that, beyond forbearance, energy debt is addressed by suppliers in a systematic and effective manner**

Throughout the pandemic, Ofgem has been relatively successful in ensuring short term relief provision to struggling energy customers through both the supplier agreement, where suppliers agreed to provide credit to their customers to keep them on supply, and through the work on self-disconnection that has resulted in new licence conditions on the ability to pay principles, which will lead to fairer debt collection practices.

These developments were welcome but focus on delaying debt repayment. This forbearance, for many households will not be enough, and more must be done to address energy debt more directly. Energy debt has built up over the crisis and is expected to surge over winter. Whilst existing debt write-off schemes and debt advice are welcome, it is unlikely to be sufficient to address the impacts on customers' or companies' financial viability. In general, households have ended up using more energy than expected, and for many households, income has reduced. Low-income families have been provided with increases to Universal Credit and other benefit support.

Three-quarters of frontline organisations are concerned that there is a high risk that fuel debt will increase this winter as a direct result of the pandemic, while 98 percent believe that there is a moderate or high risk of more households cutting back on their energy use due to lockdown measures.<sup>2</sup>

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<sup>2</sup> [Build Back Fairer: The COVID-19 Marmot Review, December 2020](#)  
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Low-income families have been provided with increases to Universal Credit and other benefit support. These supports look set to end, placing increasing pressure on households that were spending more on energy which was not offset by reductions in spending on commuting or entertainment for example, as experienced by higher income deciles. Consequentially, energy debt is likely to have been built up before winter and the way in which this is dealt with will have a significant impact on the extent to which households ration their energy over the winter. This year, Ofgem must investigate ways that suppliers can help their customers to have a fair resolution of debt. This could include prompting suppliers to refer customers towards benefits entitlement checks to increase their income or working with local and national Governments to create payment matching schemes with suppliers.

### **Improving the accessibility and awareness of existing support schemes**

While Ofgem and BEIS should be commended for their early actions in setting up the supplier agreement last year, it has unfortunately become clear that for far too many vulnerable and fuel poor customers this support is not accessible, and many households are not aware of what is on offer. The Fuel Poverty Monitor 2019/2020 (a yearly investigative report published by Energy Action Scotland and NEA on progress to eliminate fuel poverty across the UK) found that there were many challenges to accessing support, especially where households did not feel comfortable contacting their energy supplier for help. Several groups of households, especially those who are digitally excluded and those that speak English as an additional language, demonstrated very low or confused awareness of the support that could be provided by their supplier during the crisis. Large variations in support creates confusion for householders and those supporting them. As lockdowns continue, to remedy this, Ofgem should plan to improve the accessibility and awareness of existing support. We recommend that Ofgem:

- Ensure that all energy suppliers have detailed plans for mobilising additional call centre support and/or ensuring call centre staff can work effectively from home.
- Work with suppliers to set out what criteria they are adopting for 'emergency' calls and their call triage methodology/protocols for prioritising customer queries.
- Have regard to how companies have used different communication channels to see how non-digital consumers have missed out on support/advice during COVID-19.
- Ensure that utilities have plans in place to provide information on emergency support in different languages and formats, including Braille, BSL, and languages such as Polish, Punjabi and Urdu.

### **Maximising network companies' role in tackling fuel poverty**

Energy Action Scotland is pleased that the final determinations for RIIO GD2 includes an increase in the Vulnerability and Carbon Monoxide Allowance (VCMA) alongside a change in the guidelines for this allowance to permit funding to repair or replace condemned boilers. We are also pleased that Ofgem intends to create a new vulnerability licence condition for DNOs in ED2, alongside a new Vulnerability ODI and a new licence obligation to promote the uptake of energy efficiency measures where the network requires reinforcement. Alongside following through with these commitments, in this forward work plan Ofgem must commit to building on them by:

#### **For GDNs:**

- Using the reputational ODI for FPNES connections to fully hold GDNs to account on progress towards their targets. The CEGs may have a role to play in successfully achieving this.
- Ensuring that GDN's plans for the VCMA are focused on helping the most vulnerable customers as a priority.
- Ensuring that carbon monoxide projects within the VCMA address the acute risks of faulty and inefficient heating appliances.

#### For DNOs:

- Further action to enhance procedures for power outages.
- Helping low-income customers upgrade their connection in the context of moving to low carbon electrical heating, consistent with the funding provided by FPNES.
- Allowing networks to prioritise flexibility projects with direct positive social and environmental outcomes when they assess bids into their flexibility markets to address reinforcement needs.
- Allowing investment in new, energy efficient appliances in the households of vulnerable customers to reduce total system electrical losses.
- Ensuring that innovation funds are deliberately targeted at supporting low income and vulnerable customers transition to net zero.

#### **Enforcing the Vulnerability Principle (SLC0) and Ability to Pay Principles**

Energy Action Scotland supports the broad vulnerability principle within the domestic Standards of Conduct that clarifies to suppliers to uphold their obligation to treat all domestic customers fairly, and new ones regarding ensuring that repayment plans are suitable for households. However, notwithstanding our interest in how all suppliers are exercising their obligations, we are concerned about the performance of smaller suppliers and how that is monitored and enforced.

#### Further Addressing Self-Disconnection

The scale of self-disconnection is of great concern. Ofgem should continue to make progress on this issue to significantly reduce the number of self-disconnections that occur.

#### **Ofgem's role in making the most of the smart meter rollout**

Energy Action Scotland has a long-standing interest in smart meters and their roll-out in Scotland, particularly regarding their impact on vulnerable consumers. Scotland has some significant challenges with mobile telephone signals and a considerable number of households in the Highlands and Islands reliant on the Radio Teleswitch system. Ofgem's role of monitoring and enforcing minimum standards under the Smart Meter Installation Code of Practice (SMICOP) is also fundamental to the success of the roll-out. We are concerned about how the rollout will reach the most vulnerable and fuel poor particularly in rural and remote rural Scotland. We are concerned about how these areas will be prioritised to benefit from the flexibility and functionality of smart meters.

We urge Ofgem to ensure that vulnerable and fuel poor consumers are not being marginalised. Clear obligations to ensure a fair distribution of smart meter installations would help protect those vulnerable fuel poor households. Targets for reaching these households and performance reporting will ensure greater transparency. Households with legacy prepayment meters should receive a smart meter as a priority, to ensure that once the price cap has ended, they do not move back into a market that the CMA identified creates a significant detriment for them.