

Ofgem Consultation on Draft Consumer Vulnerability Strategy 2025
CONSULTATION RESPONSE FROM AGILITY ECO SERVICES LIMITED, 8th August 2019

AgilityEco is delighted to have the opportunity to respond and provide input to Ofgem’s Consumer Vulnerability Strategy. As the Ofgem draft strategy highlights, the energy sector is changing rapidly, and we believe that it is of the utmost importance to ensure that consumers in vulnerable situations are both supported and protected from any potential risks that any change in the sector might bring. We are therefore wholly supportive of Ofgem’s proposed themes and outcomes in the draft Consumer Vulnerability strategy. As you will read in our response, we take the firm view that no entity operating within the energy market – be it energy supplier, GDN or DNO – should miss a single opportunity to identify and support a vulnerable customer. The proverbial bar needs to be set high to achieve this, but crucially we need to see a “level playing field” funding mechanism for national provision of support. Only then can we be certain that vulnerable customers will receive the help they need.

About AgilityEco

We are a leading organisation in the field of energy efficiency services and providing support to vulnerable and fuel poor customers. 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. Working closely with local authorities, housing providers and charities, our growing portfolio of fuel poverty programmes can reach out to those most in need.

AgilityEco currently works with fifteen large utility companies – eleven of which are obligated energy suppliers, the remainder being gas distribution networks and water companies. These companies rely on us to fulfil their social and environmental obligations by funding our fuel poverty and vulnerability programmes. These programmes are currently running in over 180 local authority areas and we are expanding them each year. Right now, AgilityEco is working with these local authorities and multiple housing associations around Britain, helping them to support their most vulnerable residents through outreach services and community energy efficiency programmes. Two key services we provide are: the Local Energy Advice Partnership (LEAP) which is a holistic outreach service supporting vulnerable residents; and the Emergency Central Heating Offer (ECHO) which is an emergency heating repair/replacement service for vulnerable households in distressed “no heat” situations.

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).

<p>Home visits - energy efficiency, benefits and income advice</p>		<p>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.</p>
<p>First-time central heating systems</p>		<p>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.</p>
<p>Funding for insulation and heating measures</p>		<p>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.</p>
<p>Replacement of old, inefficient appliances</p>		<p>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.</p>
<p>Emergency heating system repair and replacement</p>		<p>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.</p>

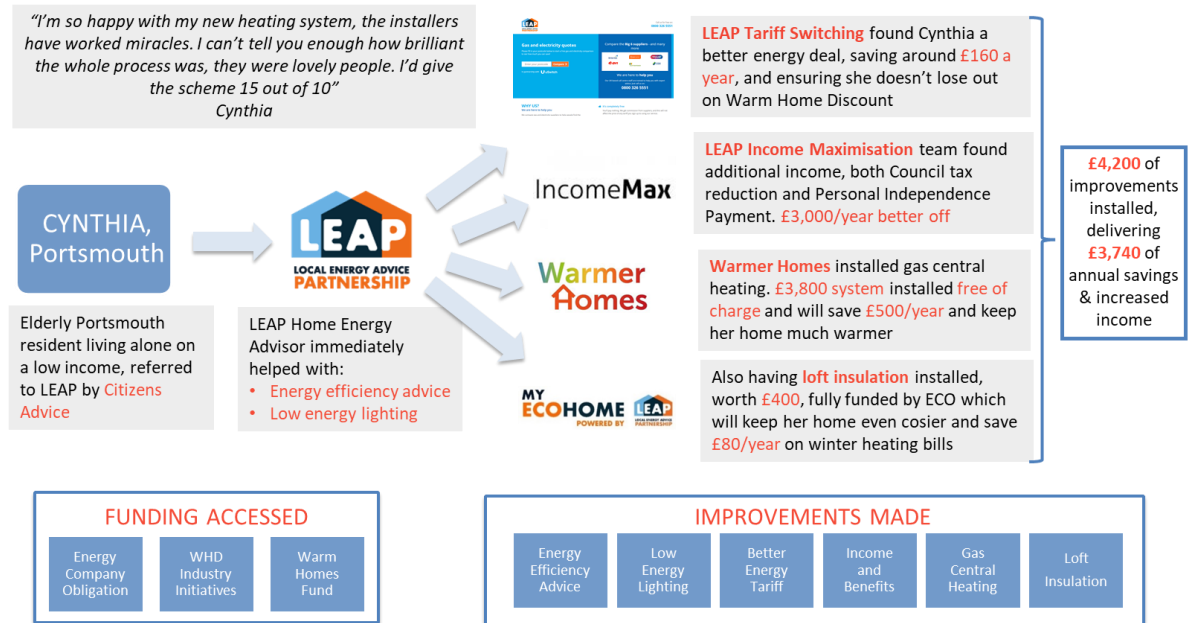
LEAP seeks to address the three fuel poverty contributors of poor building fabric, high energy charges and low income. Overall in the last scheme year, LEAP delivered £9.8m of value to the recipients of the service through tariff savings, energy reduction and additional income. LEAP retains the services of over 80 trained home energy advisers, delivering energy efficiency and advice visits in the homes of fuel poor and vulnerable customers across England and Wales. Around 30% of the people we visit are then referred on to our income maximisation partners, who deliver the income and benefits assistance component of our service, with life changing results for many. LEAP has established itself as a gateway to many other related services, principally the ones that we can deliver ourselves, such as ECHO, HEART, ECO and Warm Homes Fund, but also onward into other organisations that can deal with the broader health and wellbeing of these vulnerable people. For example, involving councils and other organisations that can address hazards and fire safety in the home, ensuring people are

signed up to their Priority Services Registers with their utility providers, and even registering people for the social tariff at their local water company.

Our approach of combining vulnerability support with energy efficiency improvement delivers huge impact. We have quantified this impact for 2018, which is summarised in the following diagram:



Through the success of our community outreach programmes, we've demonstrated how practical help and support with energy efficiency measures can have a life-changing effect on people struggling with profound poverty and those in vulnerable situations. The chart below gives an example of the kind of life-changing outcomes that can be achieved by bringing the various strands of help and support together for vulnerable households:



Our goal is to deliver better outcomes for those in fuel poor and vulnerable situations, supporting their health, safety and wellbeing. The proposed framework and principles that will come out of Ofgem's Consumer Vulnerability Strategy will be key enablers for this.

Our Response

Our response to the draft strategy is based around the four questions that you have asked.

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)?

Priority Themes:

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.

We welcome the proposed outcomes and believe they will build on the positive achievements from the first Consumer Vulnerability Strategy. As highlighted in the previous section our work impacts on all of the above themes and your desired outcomes. It is clear to us that vulnerability and fuel poverty must be considered as two sides of the same coin rather than separate problems. By acknowledging that a household being in fuel poverty deserves to be, for example, listed in a company's Priority Services Register (PSR) would be a welcome step towards this goal.

We hope that these priorities will help energy suppliers, Gas Distribution Networks (GDNs) and Distribution Network Operators (DNOs) to work together with specialist partners such as AgilityEco to ensure no opportunity to support vulnerable customers is missed. By funding customer support services such as LEAP through Warm Home Discount (WHD) Industry Initiatives they are already making a big impact. Greater support from energy companies for such services, and more focus on referring their own vulnerable customers, would achieve even better outcomes for some of the millions of low income and vulnerable households that need help. It is vital that Government moves quickly to confirm the future of Warm Home Discount regulations (including industry initiatives) beyond the current end of the legislative period in March 2021. This will enable vital help and support services to continue beyond that date. We believe, for reasons set out below, that the Industry Initiatives component of Warm Home Discount should be increased from its current level of £40 million per annum.

Similarly for ECO we note that suppliers which fund energy efficiency retrofit have significantly reduced their efforts to refer their own customers for ECO measures. Better use of data, greater engagement with vulnerable customers and more active partnership working could assist them in helping more of their own customers and achieving their statutory targets with less reliance on expensive professional lead generation. We would particularly welcome encouragement from Ofgem

for suppliers that are newly obligated to deliver ECO and the WHD to ensure they engage with partners that are able to help and support them to discharge these obligations in good time.

Finally, with regard to innovation, we would argue that there are many opportunities to deliver innovation in products and services that don't impact negatively on vulnerable customers. For example, we have a partnership with Nest that is providing free smart thermostats to eligible households via the LEAP scheme. This helps vulnerable households to better control their heating and reduce their bills whilst staying warm and well. The significant interest shown in the most recent round of ECO3 innovation applications shows that the market is seeking to improve the opportunities to keep low income and vulnerable households out of fuel poverty. We would welcome further feedback and coordination from Ofgem around support for this process.

There is one factor that it is vital to take into account in relation to the priority themes. The organisations that have by far the greatest opportunity to spot signs of vulnerability, particularly but not only in relation to bill payment problems (priority 2) and "self-disconnection" or "self-rationing" (priority 1), are the licensed energy suppliers. Given the highly competitive and tough market conditions in energy supply, it is clear and obvious that suppliers cannot afford to "go the extra mile" in relation to vulnerability, where it will cost them money, without damaging their competitive position and losing customers.

Ideally, where energy suppliers identify customers who have payment problems or who are struggling to stay warm in "heat or eat" scenarios, they should be providing practical help and support to those customers. This should involve home visit services such as LEAP, telephone advice and support, and help with income, benefits and debt. But they cannot do this at any significant scale without incurring cost.

One solution to this would be to mandate that all energy suppliers (and potentially GDNs and DNOs) pay money, for example through an extended and enlarged Warm Home Discount Industry Initiatives fund, into one or more outreach programmes, and are then mandated to offer the services provided to their indebted and/or self-disconnecting customers. If this payment is pro-rata to the size of their customer base (as is the case with Warm Home Discount and ECO), the competitive market is not distorted.

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.

We appreciate that Ofgem's remit to act on affordability is limited by its statutory responsibilities. We acknowledge the efforts that are being made to address excessive tariffs, which impact disproportionately on vulnerable households. We also support any action that can reduce self-disconnection, which is a drastic step and one that puts vulnerable households at risk of long-term impacts to physical and mental wellbeing.

We would encourage Ofgem to ensure that suppliers, DNOs and GDNs work with us and other partners to maximise the positive impact of ECO, WHD, fuel poverty funding and other resources that can assist

vulnerable households in making their homes more energy efficient, lowering their bills and maximising their income. Sometimes just a few words of advice from a trusted expert can help households overcome their fear of engaging with their heating controls, their bills and their suppliers, helping to avoid anxiety, overpayment and disconnection. The closure of the Energy Savings Advice Service has left a void in the provision of this type of advice.

By ensuring that their customers have easy access to a holistic range of support services it could also be argued that the need for additional legislation and enforcement of suppliers, DNOs and GDNs could be avoided.

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?

The legislation that underpins the WHD and ECO does not have certainty out to 2025 (which is the period of this vulnerability strategy) so we strongly urge Ofgem to press Government to guarantee that these initiatives will be renewed. This will give obligated suppliers the confidence they need to make long-term investment into fuel poverty schemes and the supply chains and partnerships that underpin them.

GDNs and DNOs should also ensure that when undertaking emergency disconnections (when a customer smells gas), planned works and unplanned works, not only should vulnerable customers be identified and not left in a bad situation, but that additional help and support should be offered. These situations should be seen by companies as a golden opportunity to go the extra mile and give their customers a helping hand by supporting them in accessing services such as LEAP to assist them with tariffs, advice, ECO measures, first time central heating and maximising income.

In a similar vein, we agree that energy companies should implement better internal processes for debt but should also seek where possible to signpost customers to in-home help such as LEAP and independent income, benefits and debt advice.

The funding support for these services needs to be underpinned to ensure they can be provided without creating market distortions. For the networks, funding can be earmarked through the price control. The proposed funding for GDNs through the “use it or lose it” allowance is a good mechanism to enable them to provide support to vulnerable customers, including in partnerships involving several GDNs. However, the level of funding proposed (£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. A similar mechanism should be introduced for DNOs (or a combined fund across the energy industry) through the forthcoming price control review. For the energy suppliers, as set out above, it could be through an extended and enlarged Warm Home Discount Industry Initiatives fund.

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

We agree that the priorities outlined are all important activities to undertake. In particular, we support the move to require GDNs to support consumers in vulnerable situations as part of ‘business as usual’, which brings them into line with DNOs.

We would suggest that action on smart meters is also prioritised within the first year. Engaging with smart meters is likely to be particularly problematic for vulnerable “hard-to-reach” consumers, and they are therefore at risk of being the very last to be reached in the smart rollout. Their higher “cost to serve” will be reflected in higher prices, and they will not be able to take advantage of smart advantages (time of use tariff, demand side response, etc).

Energy suppliers, via Smart Energy GB, can and should do more now to reach out to the most vulnerable to ensure conversion to smart meters. This should include making the process much easier for them (and those who support them, such as carers). For example, through our LEAP home visits we could gather customer consent, address details and account numbers and pass this across to energy companies via Smart Energy GB. This would avoid the householder having to log on to an energy company website and sign up for online account management before being able to get their smart meters.

Conclusion

Overall, we are highly supportive of Ofgem’s strategy to drive increased focus on vulnerability through the period to 2025. The mantra should be that no energy market participant, be it an energy supplier, a GDN or a DNO, should miss an opportunity to identify and support a vulnerable customer. But without firm, clear regulatory obligations and fair funding mechanisms, this will not happen. For the networks, that means making provision within the price controls for support. The proposed funding for GDNs through 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. For suppliers, it means creating a “level playing field” funding mechanism for national provision of support to those with payment or self-disconnection problems, potentially through an extended and enlarged Warm Home Discount Industry Initiatives pot.

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

Yours sincerely,

Gearoid Lane (CEO)