Draft Consumer Vulnerability Strategy 2025

Response on behalf of the Solar Trade Association

About us

Since 1978, the Solar Trade Association (STA) has worked to promote the benefits of solar energy and to make its adoption easy and profitable for domestic and commercial users.

A not-for-profit association, we are funded entirely by our membership, which includes installers, manufacturers, distributors, large scale developers, investors and law firms.

Our mission is to empower the UK solar and storage transformation. We are paving the way for solar to deliver the maximum possible share of UK energy by 2030 by enabling a bigger and better solar industry. We represent both solar heat and power, and have a proven track record of winning breakthroughs for solar PV, storage and solar thermal.

Respondent details

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Would you like this response to remain confidential?	No

Response

The STA welcomes the opportunity to respond to the Draft Consumer Vulnerability Strategy 2025. The Feed-in Tariff led to the benefits of coupling solar and storage technologies with vulnerable consumers (particularly for those in fuel poverty) to being recognised. Many projects and academic reports demonstrated the financial and social benefits of this coupling – particularly from local councils.

It is important that the benefits that solar PV and storage can bring to vulnerable consumers continue to be recognised and encouraged. The existing social policies in place must be widened and improved, the remit of the regulator reconsidered and made clear, further consideration to energy bill affordability for lower-income households or vulnerable consumers will be important with the electrification of heat and transport (as well as what can be done to mitigate this) and investigating a closer relationship between those protecting mis-selling in the solar PV industry and Ofgem's strategy on identifying and protecting vulnerable consumers.

The Role of the Regulator

In response to 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.

That wider affordability pressures are a matter for Government and not the regulator is agreed with. It would be appropriate for a revaluation of the remit of Ofgem to be made by Government, establishing clear guidelines and priorities upon which decision-making should be based. This is important for issues linking to vulnerability such as environmental and climate change concerns. Ofgem has recently been criticised by the CBI as 'relying on an outdated policy mandate to regulate the industry and set price controls'[1].

The STA agrees with this criticism and had based part of the STA response to the Targeted Charging Review on the inadequate environmental analysis and consideration from Ofgem. There was both the failure to properly assess the impacts on renewables the proposed Targeted Charging Review reforms will have on subsidy-free projects (with reports such as Aurora's finding that the proposed changes could set back these projects by up to five years not being formerly responded to by Ofgem) and to properly assess the system and customer benefits that renewables provide. See the relevant extract from our consultation response below:

> *We concur with the view of Ofgem's consumer focus groups that the charge that customers should face should reflect their use of the networks. As such, it is not fair for all users in the same segment to pay the same charges. The redistribution of residual charges in this manner would benefit the most energy-intensive users (potentially at times of grid constraint during peak hours) of the network at the expense of those who reduce their consumption by way of necessity (fuel poverty), energy efficiency measures, or onsite generation. Further to this, the costs this will bring to the lowest users of the network (~£22/annum) are far more significant than the savings to the 'median' user (£8/year). This inequity is far greater for commercial customers.*
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> *Ofgem's dismissal of intra-group variance (which in some circumstances will exceed inter-group variance) highlights the lack of attention given to both social realities and the overall diversification of the energy system, including the increasing electrification of transport and in future heat. Whilst some in vulnerable situations will out of necessity require high consumption use (for instance, for those with electrical medical equipment) and there are strong arguments in favour of these individuals not incurring excessively high energy (including network) costs, it is far beyond the remit of Ofgem as the energy regulator to conduct social policy interventions that are the responsibility of Government.*

The concern regarding Ofgem's environmental remit was further demonstrated in Ofgem's Consumer Impact Report of the past year (18/19), which notes that only two of their actions met the 'reduced environmental damage' objective. The link between vulnerability and climate change will only become starker as the effects of climate change impact increase across the UK.

As such, it is appropriate for the Government to revaluate and specify the role of Ofgem with regards to prioritising climate change and environmental issues at the core of its decision making. The same holds true for Ofgem's remit on vulnerability and the cited NAO (2017) report that highlights that the 'responsibilities of government and regulators are not always sufficiently clear when it comes to consumers in vulnerable situations' is agreed with. The report 'Reshaping Regulation: Powering from the future' should be noted, particularly the paragraph 'Reshape Fuel Poverty':

1 https://www.theguardian.com/business/2019/jul/22/energy-regulator-is-out-of-touch-over-climate-crisis-say-businesses-ofgem

"This is a misplaced responsibility given to the energy sector and should be removed from energy policy. Fuel poverty is not an energy problem, but either one of real poverty or of bad housing, and as a result should sit clearly within a different set of policy areas and departments. Placing the fuel poverty agenda within the energy sector has distorted the system and created ceilings and thresholds that have restricted some companies' development. To address those in fuel poverty, policy should be reallocated to both the Department of Work and Pensions and the Department of Communities and Local Government."

Widening and Improvement of Current Policies

The current schemes administered by Ofgem which aim to 'reduce carbon emissions and tackle fuel poverty' present missed opportunities. BEIS Select Committee in July 2019 identified energy efficiency as a threat to achieving our climate change ambitions through their report 'Energy Efficiency: building towards net zero'. This urges Government to take 'urgent action to revive its failing energy efficiency policy', citing that home insulation measures under Government schemes are now around 95% lower than in 2012[2].

Further development of the existing schemes is important for vulnerable consumers to have access to technologies to assist in decarbonisation such as solar and storage. A summary of our position with regards to the ECO scheme can be found below:

Prior to this consultation, the STA submitted a response which highlighted the sharp cost reductions in solar power, together with its exceptional reliability, longevity, generally high quality of installation, and 'fit and forget' ease of use that makes solar PV an increasingly important intervention to reduce energy bills in fuel poor homes. The current structure of the Energy Company Obligation is a fundamentally flawed approach to tackling fuel poverty. We urge BEIS to ensure the scheme enables other organisations, particularly local and health authorities and social housing providers, who are closely aligned to scheme objectives, to participate effectively and we welcome all steps in this direction. Currently ECO incentivises suppliers to find the cheapest homes to fix, using the narrowest range of measures. The scheme should identify those most in need and deliver deep, future-proofed and high-quality retrofits. Neither the administrative paper nor the ECO3 scope set out goes far enough in ensuring this 'low hanging fruit' approach is disincentivised.

Further highlighted were the benefits that solar PV installations provide in these homes, entailing that solar PV's definition should be clarified in ECO3 to make its application more accessible. It was disappointing that the clarifications sought prior have not been included thus far. The timing of ECO3 offers an opportunity to support the development of solar PV and smart technologies across fuel poor homes. Specifically:

The cost saving definition will further encourage suppliers to install solar panels on appropriate homes due to the benefit on bill reductions they have for consumers. However, prohibiting this benefit from being fully realised is the definition that currently stands within ECO2t. Currently Solar PV is included in ECO scheme under the following definition:

"Solar PV is an eligible measure under the Home Heating Cost Reduction Obligation (HHCRO) where electric heating is the primary heating source of the premises and the generated heat is used partly or fully for space heating."

However, for the above cost savings administration to be effective in the ECO3 scheme, the definition of solar PV being eligible should be changed to the following:

"Solar PV is an eligible measure under the Home Heating Cost Reduction Obligation (HHCRO) where electric heating is the primary heating source of the premises [end here]"

2 https://www.parliament.uk/business/committees/committees-a-z/commons-select/business-energy-industrial-strategy/news-parliament-2017/energy-efficiency-report-published-17-19/

This removes the misconception that solar PV generates heat that is used partly or fully for space heating. Solar PV can contribute to space heating in homes with (typically economy 7) storage heating; however the wording in current Ofgem guidance is unclear. Since solar PV will naturally contribute to space heating in any home with electric heating the above definition provided is appropriate. The new cost saving definition will encompass the remaining electricity savings Solar PV generation provides (which does not contribute to space heating savings) also being counted towards suppliers obligation. This makes fundamental sense due to solar PV being able to reduce electricity bills for consumers considerably.

Solar PV

Under the FiT, solar was well recognised for the benefits that its installation affords to vulnerable customers or those in fuel poverty. For example, Warrington Borough Council's solar PV project has 'helped 488 families out of fuel poverty. Overall, it has installed panels on around 2,000 homes, including on sheltered housing for elderly pensioners. Savings per household are around £145 per year. The local area has also benefited through the creation of 20 new jobs and 4 apprentices.'[3] A study undertaken by Changeworks of 122 social housing tenants with PV demonstrated 'that PV can make a valuable contribution to reducing social housing tenants' fuel bills and alleviating fuel poverty. Analysis of electricity bills pre and post PV installation in 42 households found an average reduction of £90 per year after the PV was installed'[4]. Social housing tenants were identified as being particularly well suited to solar PV as daytime occupancy rates are usually high. The report also highlights the benefits of solar PV as an energy efficiency measure when further modifications such as insulations have already been made to the house. Finally, a 2012 study into 'Tackling fuel poverty with building-integrated solar technologies: the case of the city of Dundee in Scotland', which focused on Dundee in part due to the city having high levels of fuel poverty) found that 'city level solar installation programmes can help eliminate fuel poverty in Scotland at an acceptable cost'[5].

However, despite the significant cost reductions to solar over the course of the FIT (a standard 4KW system for a household is now roughly £5,000 and bulk purchasing schemes such as Solar Together reduce this figure even further), for many in lower income households the upfront cost of capex is too high. Despite the FiT ceasing since March 31st 2019 for new customers, there still remain important contributions that solar and storage technologies can provide to those vulnerable and in fuel poverty, which should be encouraged and maximised. These contributions are likely to only increase with the Governments net zero by 2050 targets, which will include the transition towards the electrification of heat and transport, resulting in higher consumer electricity consumption.

Already we are seeing Government policies steering houses toward increased energy efficiency, low-carbon heating and Electric Vehicles (policies such as the Buildings Mission's ambition to halve new build energy use by 2030, the proposal for all new build housing to have an EV charge point installed and the Future Homes Standard which will require all new homes to be built to "world leading" energy efficiency standards with low-carbon heating by 2025). This will have substantial implications for the energy demand within a home and the technologies suited to fulfil these policies (e.g. heat pumps, EVs) are typically limited to the more affluent. For this target to be achieved, it is likely these technologies will become far more mainstreamed (particularly in the new build sector post 2025). As such, adequate consumer cost protections should be ensured for those vulnerable or in fuel poverty and a cost-analysis on the impact to these households should be undertaken to ensure this is mitigated. There requires further support from government and regulator policies (such as the suggested improvements to the ECO scheme or a tightening of the MEES regulation in the private sector), local authorities, housing associations, landlords and others seeking to reduce the bills of and assist the decarbonisation of lower-income, fuel poor or vulnerable families.

Solar PV and Innovation

3 https://www.goodenergy.co.uk/blog/2016/01/12/using-solar-to-beat-fuel-poverty/
4 https://www.changeworks.org.uk/sites/default/files/Using%20Solar%20PV%20to%20Tackle%20Fuel%20Poverty.pdf
5 http://www.parliament.scot/S4_InfrastructureandCapitalInvestmentCommittee/Building_integrated_solar_Dundee_case_study.pdf

Whilst the consultation statement that 'new and innovative business models pose both opportunities and risks' is agreed with, the pilots exploring the benefits of local energy generation (often through solar PV) predominantly are structured to prioritise the benefits it can bring local residents, such as those in social housing or lower-income households. For instance, case studies involving peer to peer trading have been piloted with social housing residents (Bannister House estate in Hackney was the first time energy had been physically traded in the UK through Blockchain peer to peer trading solutions[6] and Elmore House in Brixton is also looking to involve 62 flats across a social housing estate to benefit from buying and selling their electricity with neighbours). This nicely fits in with Ofgem's aim of 'encouraging positive and inclusive innovation' as well as 'working with partners to tackle issues that cut across multiple sectors'. Further key examples of this type of innovation include Cornwall's and Isles of Scilly Local Energy Market[7].

More needs to be done to ensure that innovation is able to be embedded into the energy system, so that benefits to vulnerable consumers (as well as wider applications) can be maximised. The application of the regulatory sandbox seems short sighted with no forward looking plan set out on how these pilots can progress past the sandbox derogation. We welcome the consultation into the flexibility in retail markets which is looking into this topic.

Solar PV and Mis-selling

Finally, there is potential for there to be closer ties between the solar industry and Ofgem's aim of 'improving identification of vulnerability'. Whilst mis-selling is not a widespread feature of the solar industry there are cases of this occurring. A feature of these cases has identified that those most at risk to being targeted (and those most at risk of falling foul of the mis-selling pitch) are vulnerable consumers. This was highlighted in the case last year which had headlines such as 'Six men jailed over £17m solar panels scam that targeted elderly and vulnerable'[8]. There could be a greater alignment between those investigating these cases of mis-selling or those who come into contact with vulnerable consumers (be it organisations such as citizen's advice, trading standards, consumer codes, MCS) and Ofgem (who could then relay this to those maintaining a Priority Service Register). Further steps and advice to vulnerable consumers about the potential threats of mis-selling and what to do could then be provided – potentially by a supplier holding that PSR customer.

[6] https://www.greenrunning.com/bringing-energy-trading-life-first-time-hackneys-banister-house-solar/
[7] http://www.cornwallislesofscillygrowthprogramme.org.uk/growth-story/local-energy-market/
[8] https://www.independent.co.uk/news/uk/crime/scam-solar-panel-elderly-vulnerable-energy-savings-manchester-a8565851.html