Committee on Fuel Poverty

Ofgem
9 Millbank
London SQ1P 3GE

(Sent by email to: fwp@ofgem.gov.uk)

13th February 2018

Dear Ofgem colleagues,

FORWARD WORK PROGRAMME 2018/19 - CONSULTATION

On behalf of the Committee on Fuel Poverty (CFP), please find below our response to Ofgem's consultation on its Forward Work Programme for 2018/19.

The CFP is an advisory Non-Departmental Public Body whose role is to advise the Government on policies aimed at reducing fuel poverty in England. You can find more background on the CFP, including its remit and latest annual report, here. Details of the members of the Committee are here.

Our comments are limited to the role and remit of the Committee, with the single focus of fuel poverty. This should also be considered alongside any comments the Committee chooses to make on Ofgem's Future Supply Market arrangements.

The Committee welcomes Ofgem's continuing focus on protecting vulnerable and disengaged customers – many of whom will be in, or at risk of, fuel poverty. We also welcome the outcomes-based approach, so that energy customer interests are at the heart of any developments, regulatory decisions and systems changes.

Our comments below relate to the four priority areas set out in the Draft Forward Work Programme, plus the additional sections on Ofgem E-Serve and Reducing regulatory burdens.

Key Points we recommend that Ofgem considers:

- that the impact of the work plan activities on fuel poverty (total numbers, fuel poverty gap and energy efficiency milestones) are measured and reported on jointly with BEIS (specifically the impact of price caps);
- how Ofgem can incentivise/ensure that any new initiatives or schemes consider the impact on fuel poverty for current or future energy consumers;
- reporting on the impact on fuel poverty of the schemes administered by Ofgem's E-Serve

Priority Areas

1. Enabling a better functioning retail market

There are clearly risks to any new business models and, whilst Ofgem should encourage innovation, Ofgem should highlight areas where consumer protection must be a priority and take swift action where any detriment is experienced by customers in fuel poverty.

The Committee has recommended that all suppliers with over 50,000 customers should have social obligations (Energy Company Obligation [ECO] and Warm Home Discount [WHD]) that can benefit their customers in or at risk of fuel poverty (see our 2017 annual report).

Ofgem should be careful not to remove existing protections until the regulatory principles are established and good practice is firmly embedded.

When Ofgem reviews its Vulnerable Customer Strategy this year it should work with CFP and BEIS to understand the impacts on fuel poor customers.

Evidence on the impact of outreach work with Citizens Advice and others on fuel poverty should be included in Ofgem's annual vulnerable customers report.

2. Facilitating Change in Energy Systems

There are a number of trials underway to system changes and Ofgem should assemble the impacts on vulnerable/fuel poor customers as it assembles findings to share across the industry and more widely. There is growing understanding that policy costs are very regressive and Ofgem should specifically ask companies to report on the impacts of any new trials/schemes on current or future low income customers who will not be able to fully engage to reap the benefits of changes (historically the Feed-In Tariff has had the most regressive impact with customers unable to invest in PV paying £50-£90 a year more). Whilst policy decisions rest with BEIS, Ofgem can advise Government on the implications of their policies and recommend changes in the light of evidence to fulfil Government's clearly stated aim of driving down costs for struggling households.

Ofgem should consider incentivising companies that build in progressive outcomes for fuel poor households to their Network Innovation Competition (NIC) schemes and other Ofgem-approved programmes. Ofgem should also collect evidence from the schemes of implications for the Government's Fuel Poverty strategy. More specifically, the review of the 'Significant Code' should consider the implication of demand side reduction programmes on those unable to participate and who are likely to be fuel poor, with consideration given to how negative impacts could be mitigated (i.e. promoting progressive solutions focussed trials where they are funded by all consumers)

3. Ensuring Network Companies deliver for consumers in changing systems – RIIO and the wider competitive regime

We request that NIC schemes that include positive outcomes for fuel poor customers are further incentivised and encouraged – with lessons shared along the way.

4. Identifying opportunities and managing long-term risk on behalf of consumers

We suggest that Ofgem carefully considers how they will monitor risks to fuel poor consumers in any of their horizon scanning and research activities and whether they have considered any new measurements or monitoring tools needed.

The focus on vulnerable customers in redress schemes is not highlighted and we would like to see evidence that redress programmes are contributing to the aims of the Government's fuel poverty strategy as Ofgem plan to publish the outcomes of enforcement actions and lessons learned. The Committee would welcome reports on where positive and effective redress has taken place for the fuel poor. Where possible best practice should be shared among suppliers.

In our 2016 annual report we made recommendations to improve consumer engagement and advice so that the fuel poor can benefit fully from the competitive market, therefore we should welcome the focus on improved customer information and stress the opportunity to direct customers more effectively to ECO, WHD and other assistance

E-Serve

We encourage Ofgem to reduce the time it takes to approve WHD Company initiative schemes and to encourage longer term initiatives. Some schemes have taken up to 5 months to be approved which results in poorer than anticipated consumer engagement with no follow up advice or support in communities where it could provide a more holistic advice service and more beneficial customer experience.

Reducing Regulatory Burdens

Finally, we would recommend that Ofgem reports on the implications on fuel poverty of any of its Future Retail Regulation reforms and how it will work with BEIS to monitor these

If you have any questions about the above, or wish to discuss this further, you can contact Lawrence Slade and Jenny Saunders - the CFP members who have led on this work - via the Committee Secretary, Phil Nash (phil.nash@beis.gov.uk 0300 068 5127).

Yours faithfully,

David R Blakemore
Chair, Committee on Fuel Poverty