

EUA response to the Draft Consumer Vulnerability Strategy 2025

About us

The Energy and Utilities Alliance (EUA) provides a leading industry voice helping shape the future policy direction within the sector. Using its wealth of expertise and over 100 years of experience, it acts to further the best interests of its members and the wider community in working towards a sustainable, energy secure and efficient future. EUA has eight organisational divisions - Utility Networks (UN), the Heating and Hotwater Industry Council (HHIC), the Industrial & Commercial Energy Association (ICOM), the Hot Water Association (HWA), the Manufacturers' Association of Radiators and Convectors (MARC), the Natural Gas Vehicle Network (NGV Network), Manufacturers of Equipment for Heat Networks Association (MEHNA) and the British Energy Efficiency Federation (BEEF).

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Response

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)?

EUA agree with the 5 priority themes. We especially agree with the 2nd theme on supporting those struggling with their bills.

EUA have campaigned for a number of years to improve and enhance Government schemes to ensure those that most need help and support receive it. So we are pleased that Ofgem are looking at the mechanisms for identifying those at need.

However, we are concerned that an overly prescriptive regime in regards to identifying the fuel poor can perversely lead to fewer people being assisted, including many that are in genuine need. Fuel poverty definitions mean that a significant number of households go in and out of defined fuel poverty relatively regularly, especially with increases in inflation or fuel prices. Therefore, depending on the year or UK economic circumstances differing amounts of people can be eligible for assistance. EUA are concerned that this may therefore exclude the 'near to' fuel poor. This constituency when off grid would almost certainly benefit from a gas grid connection. However, tied to difficulties in getting accurate income and benefit data, Gas Networks can struggle to identify suitable households.

We are also concerned that the eligibility criteria for the Fuel Poor Network Extension scheme does not cover those areas determined eligible by Local Authorities. Allowing Local Authorities to declare areas a priority and making them eligible for the FPNES would be transformative in reducing the number of fuel poor in the UK.

Another transformative move would allow GDNs to access Department of Work and Pensions data to target eligible homes. We understand the logistical difficulties in obtaining access. However, it would fit under the priority themes Ofgem has set itself.

One future problem that Ofgem will need to address is that the current FPNES is predicated on reciprocal support from other Energy Efficiency schemes. However, ECO is due to end in 2021 and other schemes in a similar time scale. This uncertainty could hamper efforts to roll out first time central heating to off grid homes. GDNs are unable to connect homes if the associate heating products are not also provided. Therefore, a lot of the deliverables that

Ofgem have outlined are dependent on other arms of Government providing the support and funding for measures.

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.

EUA agree that affordability should be a matter for government to address, rather than Ofgem. However, Ofgem could play an important role in advising government on the best way to address wider affordability concerns. For example, redistributing substantial costs that could fall disproportionately on regions with higher expenditure could be a matter Ofgem could advise the government on. Wider affordability will also be important because there needs to be something in place to address how consumers in vulnerable situations will be protected post price cap.

On the section on affordability it is argued that FPNES “significantly reduces costs for consumers (but) looking forward, however increasing the number of homes heated by gas may conflict with Government policy on fossil fuels”. We would argue that Ofgem need to ensure that vulnerable consumers do not lose out if this is the case.

Indeed, Ofgem should be proactive in making the case that The Government should not be ending the FPNES scheme, or stop connecting homes to the gas grid, given their commitment to greening the gas grid with biofuels and hydrogen. If the Government is serious about greening the gas grid, then ending FPNES connections would be a harmful and unnecessary U turn, which Ofgem should actively oppose. Given that in England, households that are not connected to the gas network are 1.5 times more likely to be fuel poor than the national average, the case for FPNES gas connections should be made strongly.

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 document points out that it is estimated that one million people will have dementia by 2025, but people are reluctant to disclose this to energy companies. Legislation could be changed to help identify vulnerable consumers to ensure they get access to FPNES. Additionally, regulation should be changed to widen the definition of fuel poverty so that those who slip in and out of fuel poverty over the year are not excluded from vulnerability schemes because of rigid definitions.

The main challenge for the GDNs is to better coordinate the FPNES with other government schemes and linking up first time central heating. One of the main funding avenues for this is ECO 3 which finishes in 2021 and may be replaced by a renewables based scheme, which could push up heating bills. Additionally, the National Grid warm homes discount will close in 2021, but the GDNs can only fund a FPNES connection if there is funding for the first time central heating system. Consequently, the GDNs are forecasting the number of FPNES connections to be lower than in GD1. So before we begin to think about 'further measures', Ofgem should prioritise safeguarding current funding streams and advising the Government not to end the schemes, or move them to more expensive non gas based schemes.

With regard to energy regulation, the GDNs in their business plans are asking for flexibility so that if the policy decision does indeed create more funding for gas connections, they want to be funded to deliver those connections. In addition to this, the GDNs have limited data to target homes with low EPCs and low incomes, but would greatly benefit from access to data from the Department of Work and Pensions to transform this process. Such access would likely require a change in regulations, but if adopted would identify many more vulnerable households to be targeted.

One GDN is approaching 10,000 connections in GD1 compared to their target of 12590, but the number of connections has halved compared to before 2015. This is when Ofgem changed the eligibility criteria for FPNES, removed IMD top 25% properties and reduced the ability to fund social housing connections. These are changes that have negatively affected vulnerable consumers as less are getting the help they need, so these are regulations and funding areas Ofgem should reevaluate.

Finally, the GDNs would be keen to see a better package of support for customers and are already delivering assistance to customers through partnerships by increasing household income with benefit checks, tackling utility debt, tariff advice, switching and accessing energy efficiency advice.

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

EUA agrees with creating an analytical framework to consistently assess the impact of policies on particular groups of consumers in vulnerable situations. We also agree with the aim to strengthen protections to protect consumers in vulnerable situations from self-disconnecting their pre-payment meters. Formalising the Ability to Pay principles in your rulebook to provide targeted support to consumers facing payment difficulty is another proposal we agree with because we are aware of many cases of vulnerable people building up debts and not receiving the help they deserve.

Finally, EUA agrees with the requirement on gas network companies to adhere to a vulnerability principle, similar to the obligation on gas and electric suppliers. Gas network companies are keen to help vulnerable people access cheaper, reliable energy and are therefore more than willing to be regulated in this approach in a similar manner to the suppliers, as this ensures a level playing field.