



Action for Warm Homes

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### Response to Innovation funding and competition: further consultation on design and implementation

National Energy Action (NEA) recognises that many low-income households experience affordability issues with their essential household bills, rarely struggling with one bill in isolation, and as a result is delivering a programme of work which seeks to support 'People Living in Water Poverty and Fuel Poverty'. Our programme aims to eradicate water poverty by 2030, by raising awareness of the issues households face, and through aligning policy and practical action to support low-income households across sectors and across all regions of the UK.

NEA has chosen not to respond to all the questions proposed in the consultation document, but felt it important to highlight one area specifically, related to question 14.

In our January 2020 response to Ofwat's forward work plan, we acknowledged that driving innovation across the water sector was vital to address the strategic challenges the industry faces. We believe the innovation competition allows an additional opportunity for companies to address these key challenges. While it could be argued that innovation for affordability and vulnerability could be delivered under 'public value', we feel this is an area of significance that should be a strategic challenge on its own.

22% of the UK population is in poverty, that equates to 14.3 million people whose options are restricted by their circumstances<sup>i</sup>. If the goal is for water companies to have a true social purpose, then innovation projects focused on addressing vulnerability and affordability challenges can help to deliver that. The Covid-19 crisis has made this issue even more pressing as millions of households are living on reduced incomes and experiencing job-insecurity and income volatility at an unprecedented level.

In their RIIO-2 sector-specific methodology for Gas Distribution Networks (GDNs), Ofgem has introduced a £30 million 'use-it-or-lose-it' allowance to encourage consumer vulnerability initiatives, with 25% of this allowance ring-fenced for collaborative projects between GDNs. Stakeholder responding to this consultation were supportive of embedding vulnerability in innovation funding, and the allowance will be provided alongside the Network Innovation Allowance (NIA) funding in RIIO-2 which allows funding for projects related to addressing consumer vulnerability<sup>ii</sup>. This is also outlined within their recent Consumer Vulnerability Strategy.

NEA would like to see the following (or similar wording) included as a theme in the innovation framework to ensure low-income and vulnerable households are supported:

***“Considering new ways of supporting customers with affordability issues and those with vulnerable circumstances, through direct and indirect support which benefits customers, and keeps bills affordable.”***

We believe the inclusion of affordability and vulnerability as a key strategic challenge to be addressed by the innovation competition will reflect the importance Ofwat placed on this theme during PR19. The need to support customers in these challenging situations is growing, and NEA feels that innovation is key to addressing the needs of the most affected in our society.

We would be happy to discuss this with you further,

Yours sincerely,

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<sup>i</sup> <https://www.jrf.org.uk/file/51905/download?token=UNkn7YC8&filetype=findings>

<sup>ii</sup> [https://www.ofgem.gov.uk/system/files/docs/2019/05/riio-2\\_sector\\_specific\\_methodology\\_decision\\_-\\_gd.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/05/riio-2_sector_specific_methodology_decision_-_gd.pdf)