



Action for Warm Homes

# CONSULTATION RESPONSE

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## National Energy Action (NEA) Response to Ofgem VCMA Governance Drafting Consultation

### About National Energy Action (NEA)

NEA<sup>1</sup> works across England, Wales, and Northern Ireland to ensure that everyone in the UK<sup>2</sup> can afford to live in a warm, dry home. To achieve this, we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives.

### Background to this response

In 2012, NEA developed a scoping study with Ofgem to explore how well-placed network companies are to deliver social action cost-effectively and support the alleviation of fuel poverty. Throughout ED1 and GD1, NEA has worked with Ofgem and the network companies to embed many of the recommendations and cultivate several projects which support low income and vulnerable households. Some of the main drivers for NEA's on-going collaborations and recent work with the networks include:

- Ofgem requiring networks and energy suppliers to enhance their work on the Priority Services Register (PSR);
- Requiring energy suppliers and Distribution Network Operators (DNOs) to be proactive in identifying 'need' and act on the stakeholder and collaborative incentives to trial new approaches which have a positive social impact at the same time as proving alternatives to conventional network reinforcement;
- Ensuring exemplar network innovation projects are developed and disseminated fully and encouraging network companies to ensure fuel poor and vulnerable households directly benefit from these innovation competitions and allowances;
- Encouraging the networks to deliver non-network solutions (either themselves or by partnering with others);
- Requiring Gas Distribution Networks (GDNs) to exceed the previous Fuel Poor Network Extension Scheme (FPNES) targets and supporting this activity on the ground;
- Ensuring GDNs provide more consistent advice and support for vulnerable households when they have to disconnect gas supply at properties when the boiler is deemed to be unsafe;
- Undertaking research and practical projects to raise awareness of the risks of Carbon Monoxide (CO) poisoning and acting on the key links between this and the risk of being in fuel poverty.

As well as directly supporting the delivery of ED1 and GD1, NEA has also ensured network companies are playing a key part in the delivery of the UK Government's Fuel Poverty Strategy. Alongside supporting the industries' efforts to develop new interactive mapping solutions for off gas grid homes<sup>3</sup>, NEA also undertook a review of progress toward meeting the 2021 gas connection targets. The report "In from the Cold"<sup>4</sup> underlined the value of First Time Central Heating (FTCH) as a key measure to address fuel poverty<sup>5</sup>. The report also found that at the halfway point, slower progress across England had been made compared to the other GB nations in the delivery of FPNES targets.<sup>6</sup> The constrained funding landscape for in-house measures was identified as a primary reason for this slower progress. This initially prompted the UK Government's £25m Central Heating Fund and the £150 million National Grid Warm Homes Fund. NEA has also championed the need for revisions to the Digital Economy Act to allow local authorities, public sector health bodies and energy network companies to undertake direct data matching process with the Department for Work and Pensions (DWP), independent of licensed gas and electricity suppliers<sup>7</sup>. Finally, NEA has extensively engaged with all four GDNs to help shape their business plans, through stakeholder meetings, workshops, and through NEA staff sitting on two CEGs as independents<sup>8</sup>.

## Our response

First and foremost, NEA is very pleased with the development of the VCMA within the final determinations for GD2. Both the increase to the total funding pot and the changing of permitted activities to include boiler replacements and repair will make a significant difference to the lives of many struggling people. While this is extremely welcome, the improvements could be reinforced through several changes in the Governance document:

- **Integration of the new vulnerability licence condition.** While we understand that Ofgem has no remit to regulate third parties, the licence condition to treat customers fairly (SSC21) must be translated onto the partners that GDNs work with, if only the wording and spirit of the new condition into contracts, especially where partners are helping deliver schemes to address consumer vulnerability. This is a crucial element of the price control and must not be lost when work is delivered through a third party.
- **Consideration of the Eligibility of Projects.** Ofgem must be clear about the eligibility of different types of projects within the allowance guidance in order to give GDNs sufficient confidence to take projects forward. In particular, we would like to see, clarity that while there is funding for energy efficiency advice, debt advice, income advice, and other types of service elsewhere, if this funding is limited and demand is larger than supply, they are permitted under the allowance. Ofgem has made this clarification for boiler repair and replacement, but not for these important activities.
- **Ensuring sufficient focus on vulnerability.** Within the current guidance, there is scope for GDNs to severely limit their work to address consumer vulnerability. To remedy this, we propose
  - A requirement to ensure that projects to address carbon monoxide are well targeted, helping vulnerable households to understand and mitigate the risks.
  - A cap for CO projects to ensure that a reasonable proportion of the allowance is spent on addressing consumer vulnerability. NEA believes that the guidance allows 100% of the allowance to be spent on CO awareness campaigns, which would be an unacceptable outcome.

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<sup>1</sup> For more information visit: [www.nea.org.uk](http://www.nea.org.uk).

<sup>2</sup> NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.

<sup>3</sup> For more info see: <https://www.nongasmap.org.uk/>.

<sup>4</sup> In from the Cold: The funding gap for non-gas fuel poor homes under ECO and a proposal to fill it, NEA, February 2017

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<sup>5</sup> The report noted that because those off the gas network are more reliant on expensive fuels such as electricity, fuel poor households off the gas grid experience average fuel poverty gaps that are double those of on-gas fuel poor. Since then, the latest fuel poverty statistics highlight the same pressing gap, (on gas fuel poor have average gaps of £296 vs off-gas £607).

<sup>6</sup> NEA. 2017. In From The Cold: The Funding Gap for Non-gas Fuel Poor Homes under ECO and a Proposal to Fill it. Available: [http://www.nea.org.uk/wp-content/uploads/2017/02/In-From-The-Cold\\_ECO-Funding-Gap-Paper\\_Final-1.pdf](http://www.nea.org.uk/wp-content/uploads/2017/02/In-From-The-Cold_ECO-Funding-Gap-Paper_Final-1.pdf).

<sup>7</sup> At present it is not possible for these key groups to do this without being subject to the enhanced General Data Protection Regulations or a time consuming appraisal of the household's circumstances and securing individual 'opt in' consent.

<sup>8</sup> NEA's Chief Executive Adam Scorer sits on the Wales and West CEG whilst Policy Manager Matthew Copeland sits on the Cadent CEG.