



END FUEL POVERTY COALITION RIIO3 CONSULTATION RESPONSE

6 March 2024

The End Fuel Poverty Coalition campaigns to influence government and other bodies to take action to end fuel poverty and thereby improve people's health and quality of life as well as seeking to reduce the cost of living, create jobs and negate carbon emissions in the process. It is a broad coalition of over 70* anti-poverty, environmental and health campaigners, local authorities, trade unions and consumer organisations.

Our response sets out broad principles we would encourage Ofgem to consider.

From the outset, the Coalition urges Ofgem to ensure that RIIO3 is designed to deliver best value to consumers and to protect vulnerable households from any increased costs.

We have seen the recent "Tariff Watch" reports by the Warm This Winter campaign and Future Energy Associates. These reports raise significant concerns about the role of the Totex Investment Mechanism (TIM) in the RIIO process and especially the return of unspent to customers. [1]

We would urge Ofgem to reconsider this as a model to incentivise investment. At the very least, we would expect that in any future agreements, 100% of any unspent investment is returned to household and business energy customers.

With increased scrutiny of the organisations that operate in the gas and electricity sector, we would also urge Ofgem to ensure that a "fit and proper" test is applied to firms who benefit financially from our nation's energy supply.

This must include transparency and accountability of these firms to the people who ultimately pay for any improvements – the public. Too many are owned by large multinationals or controlled by secretive private companies, there should be greater and more detailed reporting for these firms if they are permitted to operate our energy network.

We know that Gas Distribution Networks operate as natural monopolies and that the complexity in negotiations between the regulator and the firms risks tilting the balance in favour of the industry, potentially leading to excess profits at the expense of consumers.

Among the criticisms of the current negotiation process are the reliance on long-term cost forecasting, informational advantage firms hold over their costs and their ability to hire expensive lobbyists and consultants which poses a risk of regulatory decisions favouring the industry, resulting in unjustifiably high prices for consumers and excess profits for the companies.

We would expect Ofgem to look at how we could see immediate consumer rebates by network companies and the use of real market data instead of long-term forecasts.

We would also urge Ofgem to examine how consumer bodies could be empowered to request price control reviews in cases of excessive financial returns and ensuring balanced representation of consumer interests in regulatory decisions.

We are also concerned at the levels of profit being made in the transmission and distribution sectors and we would urge Ofgem to ensure – through the RIIO process – that excessive profits do not become commonplace in the sector. We are working on new analysis of this which we will be happy to share with Ofgem when it is ready.

On more of the specifics, some of our members will have responded individually to this call for evidence. We would also associate ourselves with the responses submitted by E3G and Sustainability First.

With early hydrogen investments looking risky, it is imperative that gas consumers are not burdened with the financial repercussions of speculative ventures.

Consequently, the development of hydrogen transport infrastructure or repurposing existing natural gas infrastructure for hydrogen should be excluded from the scope of RIIO3. The Hydrogen Transport Business Model is better suited for financing such ventures if they become necessary during the RIIO3 timeframe.

Considering the limited or non-existent use of hydrogen for heating and its potential adverse effects on fuel poverty [2], it is anticipated that a significant portion of gas distribution networks may need decommissioning in the long run, rather than repurposing.

Gas networks and Ofgem should proactively plan ahead to minimize the current and future cost impacts on consumers. We share the concerns of the industry and regulators that without action, the costs of gas decommissioning could have to be met by an ever diminishing number of gas customers. We understand that there is an extra concern that these customers, who end up shouldering the biggest burden, could will tend to be older or from other vulnerable groups.

We appreciate this may not be in Ofgem's gift to deliver, however, as with all national infrastructure priorities, we believe the Government should be encouraged to fund decommissioning through general taxation and not via customer bills.

On leakage and losses, we have some concern that on the Electricity Transmission side, there is not more recognition of the cost implications of line losses and we would welcome more investigation into this. From the gas side we have concerns that Ofgem's approach on methane leakage is not sufficiently demanding – especially given the IEA's recognition [3] of reducing such leakage as a cost effective measure to help meet the UK's climate goals, which Ofgem now was a role in delivering.

*** About the End Fuel Poverty Coalition**

The End Fuel Poverty Coalition is a [broad coalition of more than 70 anti-poverty, health, housing and environmental campaigners, charities, local authorities, trade unions and](#)

[consumer organisations](#). It is also supported by academics, social enterprises and those working on the front line of fighting fuel poverty.

We believe that everybody has the right to a warm, dry home that they can afford to heat and power.

Members of the Coalition include: [Action with Communities in Rural England](#), [ACE Research](#), [Advice for Renters](#), [AgeUK](#), [All Birmingham's Children](#), [Austerity Action Group](#), [Association of Green Councillors](#), [Association of Local Energy Officers](#), [Association for Decentralised Energy](#), [Asthma + Lung UK](#), [Basingstoke & Deane Borough Council](#), [Beat the Cold](#), [Brighton & Hove City Council](#), [Bruton Town Council](#), [Camden Federation of Private Tenants](#), [Child Poverty Action Group](#), [Church Poverty Action](#), [Chartered Institute of Environmental Health](#), [Chartered Institute of Housing](#), [Community Action Northumberland](#), [Centre for Sustainable Energy](#), [Climate Action Network West Midlands](#), [Debt Justice](#), [Disability Poverty Campaign Group](#), [Disability Rights UK](#), [E3G](#), [EBICO](#), [End Child Poverty Coalition](#), [Energy Saving Trust](#), [Energy Cities](#), [Fair Energy Campaign](#), [Epilepsy Action](#), [Fair By Design](#), [Foster Support](#), [Friends of the Earth](#), [Fuel Poverty Action](#), [Fuel Poverty Research Network](#), [Generation Rent](#), [Good Law Project](#), [Greenpeace](#), [Groundwork](#), [Hackney Foodbank](#), [Heat Trust](#), [Home Start Oxford](#), [Independent Age](#), [Inner City Life](#), [Joseph Rowntree Foundation](#), [Lambeth Pensioners Action Group](#), [London Borough of Camden](#), [London Borough of Lewisham](#), [Marie Curie](#), [Mayor of London](#), [Moorland Climate Action](#), [National Pensioners Convention](#), [National Union of Students / Students Organising for Sustainability](#), [NCB](#), [National Energy Action](#), [New Economics Foundation](#), [National Federation of Women's Institutes](#), [Northern Health Services Alliance](#), [Oxford City Council](#), [Positive Money Tower Hamlets](#), [Redcar & Cleveland Council](#), [Repowering London](#), [Retrofit Bruton](#), [Right To Energy Coalition](#), [Rossendale Valley Energy](#), [Ryecroft Community Hub](#), [Save the Children](#), [Sense](#), [Scope](#), [Shaping Our Lives](#), [Social Workers Union](#), [South East London Community Energy](#), [Southwark Group of Tenants Organisations](#), [South West London Law Centres](#), [Stonewater Housing Association](#), [Stop The Squeeze](#), [Uplift](#), [UNISON](#), [Warm & Well North Yorkshire](#), [Warm & Well in Merton](#), [Young Lives vs Cancer](#).

The coordination for the [End Fuel Poverty Coalition](#) is provided by social enterprise [Campaign Collective](#) and the Coalition is also part of the [Warm This Winter](#) campaign. In Scotland we work closely with [Energy Action Scotland](#). In Wales, we work with [Climate Cymru's Warm This Winter](#) activity and in Northern Ireland with the NEA-backed [Fuel Poverty NI coalition](#).

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[1] https://www.endfuelpoverty.org.uk/wp-content/uploads/Tariff_Watch-3-FINAL.pdf

[2] <https://www.endfuelpoverty.org.uk/wp-content/uploads/231027-Hydrogen-Blending-EFPC-Response.pdf>

[3] <https://www.iea.org/news/urgent-action-to-cut-methane-emissions-from-fossil-fuel-operations-essential-to-achieve-global-climate-targets>