

Dear the RIIO-3 Team (RIIO3@ofgem.gov.uk),

ED3 Framework Consultation Response

Thank you for the opportunity to respond to this consultation. We do so in the capacity of a partner business that DNOs will rely on to deliver the net zero transformation.

YES Energy Solutions (YES) is a community interest company dedicated to alleviating fuel poverty and reducing CO2 emissions. We manage a range of energy efficiency programmes for energy suppliers (via the Energy Company Obligation) and local authorities (via contracted works such as the LAD, SHDF and HUG) and offer a holistic advice service for energy consumers across Great Britain. As part of the latter, we currently work with nine of the ten DNO and GDNs, delivering fuel poverty support services and net zero readiness assessments (advice regarding low carbon technologies, as part of the 'no one left behind' agenda). We are on track to support nearly 20,000 customers in vulnerable situations on behalf of the energy network operators this year.

Our consultation response focuses on the questions directly related to our service experience as follows:

Q31. Has the BMCS incentive served its purpose in driving performance improvements and how can we adapt the metrics to better incentivise performance across a wider range of interactions between DNOs and their customers, particularly relating to connections?

We are very supportive of the continuation of the BMCS and have seen first-hand how it drives consistently high service standards across the sector (customers YES serves are currently assessed via the customer satisfaction surveys (CSS)). We would welcome a continued distinction within the CSS between fuel poverty and LCT services. However, greater consideration needs to be given to the appropriateness of the targets set. While fuel poverty support is more well-established, the LCT 'no one left behind' support is a newer service where customer expectations are still being learnt and can therefore vary significantly. This makes a blanket target of more than 9/10 very challenging.

The timing of the surveys also needs to be reviewed. At present, YES provides data every Monday for customers serviced in the previous seven days. While customers can comment on the quality of the service they received as part of the customer contact, they are not yet able to judge the positive impact of the advice received. The nature of the support provided means the benefits are likely to be realised over a period of 2-3 months (e.g. reduced energy consumption due to changes in energy use behaviours or the installation of energy efficiency measures). Feedback we receive (via the DNOs) for LCT customers who have given a rating below 9/10 can often be characterised as: *"the service interaction was great, but it's far too soon to comment on whether it has had any impact as I've only just made the changes, so I can't give it a high mark"*.

It would be better to apply a staggered timing to surveys with fuel poverty and LCT advised customers, similar to the distinction applied in connections between quotations and completed works. Following this model, customers could

be surveyed about the initial service interaction immediately (as per the current timetable), but questions on the impact of the service should be conducted via follow-on surveys at least two months after the initial advice offering.

Q32. How should the CVI be adapted for ED3 and should we consider greater alignment with the GD sector?

We welcome the continuation of the Customer Vulnerability Incentive (CVI) and feel it has had a positive impact on driving progressive delivery proposals from DNOs to support customers in vulnerable circumstances through the energy system transformation. As part of this, YES is working on behalf on five of the six DNOs to deliver innovative advice services to ensure 'no one is left behind'.

However, looking ahead to ED3 it is vital the CVI encourages a longer-term commitment from DNOs to build enduring relationships with customers and explicitly incentivise repeat contact over time to build their energy management capabilities. Only by doing so will the appropriate depth of service be delivered to enable customers to build their knowledge, confidence and competence to the level needed to ensure they permanently benefit from low carbon technologies and the net zero transition, rather than achieving short-term positive impacts.

As an experienced provider of these services, YES can confirm this is a customer demographic whose overall capability levels managing their energy, and trust in the energy sector as a whole, can be low. They therefore require sustained support over time. However, we are concerned that the current CVI framework unduly incentivises a focus on in-year benefits. The current Social Return on Investment (SROI) methodology and respective DNO targets, leads to a predominant focus on finding "new" customers each year, as the initial SROI is higher.

If we are to support customers in the most holistic and meaningful way possible, the CVI framework for ED3 should therefore contain incentives for DNOs to build long-term relationships and recognise within their customer contact targets a significant proportion of "revisited customers". However, Ofgem will need to accept that a revisited customer, receiving 'top-up' advice is likely to achieve a lower in-year SROI compared to a customer contacted for the first time, but the depth of their knowledge and long-term competencies will be building, which has significant long-term value. In the same way that Ofgem has encouraged periodic contact with PSR customers to maintain high quality data records as well as to build their resilience skills over time (not just incentivising new customers being registered year-on-year), the same approach should be taken to fuel poverty and LCT support.

There are 25 years between now and the legally binding 2050 net zero targets. As Ofgem has rightly recognised within its wider consultation, the 'no one left behind by the energy system transition' is therefore a long-term project, with opportunities for customers to fall into and out or risk throughout this period. It therefore requires measurement and interventions over time. To expect that it can be meaningfully achieved for a customer via a singular contact will lead to a more superficial level of support than is needed. For example, the first step is often to build knowledge about the types of LCTs available, suitability at each specific property and the likely benefits that could be achieved. Step two is to address the property's readiness for such an installation and often to improve the core energy efficiency fabric, as well as to take steps to increase the household income (e.g. through benefits advice and energy behaviour change to reduce energy costs). Step three is then to move the customer towards an LCT installation and eligibility for potential funding support to do so.

The current CVI encourages the finding of new customers and in-year benefits, therefore "no one left behind" is only being achieved to the level of step one, in the majority of cases. The ED3 framework needs to encourage customers to be supported to eventually reach step three and install LCTs.

Q33. Should DNOs have a role in delivering energy efficiency measures to homes and businesses? What might the scope of these services be and how should they be funded?

In principle, yes. The role DNOs have successfully had in driving more joined-up delivery of fuel poverty support in the sector and expanding delivery to more customers year-on-year gives us confidence that a similar model could achieve very positive impacts in relation to energy efficiency. Funding may remain via central government and taxpayers, rather than billpayers, but giving DNOs a role in its administration on a targeted area-by-area basis could bring significant benefits and should be explored further. YES would welcome being part of these discussions.

We would envisage a coordinating and convening role for the DNOs, not a responsibility to directly deliver energy efficiency installations (via a direct workforce, for example). There are excellent providers of energy efficiency programmes already in place with defined supply chains and expertise built over several decades of delivery that it is crucial DNOs do not inadvertently compete with or constrain. Beyond the actual 'doing', DNOs can provide (or begin to gather, as part of its services) crucial data on householders, properties and network capacity that could ensure energy efficiency is better targeted than today to the areas that need it most.

There are three key aspects where DNOs could add significant value:

1. **Opportunity to better target roll-out of energy efficiency geographically, at scale.** In our experience, place-based schemes can significantly increase the speed and efficiency of retrofitting programmes, reduce targeting costs and also reduce the stigma and effort for participants. At present, energy efficiency programmes such as the Energy Company Obligation, as well as the likes of the Local Authority Delivery programmes (and the upcoming Warm Homes Local Grants) can result in scattergun delivery geographically, which is not cost optimal. While there are some clusters in regions, DNOs could unlock a more granular street-by-street roll-out model. Households receiving energy efficiency funding are often surrounded by similar property types but unless the customers can be successfully marketed and they meet the precise eligibility criteria (often based on household income) works do not take place. To engage these properties successfully can also necessitate costly lead generation activity which diverts funding away from the physical installations.

By contrast, DNOs could coordinate a regional roll-out approach via outreach partners, while gathering crucial data to enable better targeting of activity appropriate to the properties and financial circumstances of the householder. This could be aligned with DNO capital investment programmes to upgrade the local network and/or power cut follow-up activities. DNOs are also uniquely placed to identify where on the network clustered energy efficiency rollout could have the greatest impact on demand reduction (potentially deferring reinforcement works) and where whole system and DSR benefits could be achieved. These benefits can be realised significantly sooner than if the current piecemeal delivery approaches are maintained. Furthermore, it could also improve the thermal comfort of properties in worst served areas of the network.

2. **Broaden the eligibility criteria for qualifying properties.** While eligibility criteria will continue to be required to ensure targeting to low-income households and 'just about managing' customers, there would be an opportunity via a more cost-efficient, area-based roll-out to expand current eligibility criteria to allow for a more blanket approach, including subsidised support on a tiered scale depending on household income. At present, the sometimes complex evidencing process for customers can lead to fuel poor households falling out of schemes despite it being clear that energy efficiency works would have a significant positive impact. DNOs are uniquely placed to have relationships with all customers in a geographic region to engage households on their energy efficiency needs and various options to fund these irrespective of household income.

3. **Help to join up energy efficiency installation works with energy advice.** At present, as both a managing agent for various energy efficiency funds and a provider of advice services, YES has demonstrated it is possible to bring these services together effectively and efficiently. This ensures householders are given the knowledge and skills to realise the full benefits of their new energy efficient properties and/or energy systems. Unfortunately, this is not universally the case, and therefore thousands of customers receive installations without the accompanying customer care and guidance needed to have the maximum positive impact; and vice versa, customers are receiving advice on improving their energy use and lowering their costs but continue to live in energy inefficient properties. In YES' view, lessons should be learned from the smart meter roll out, where an area-by area approach irrespective of their supplier may have led to greater efficiencies and timely delivery. At YES, we regularly encounter customers who have had a smart meter installed but without any wrap-around advice and after care, meaning they are not achieving the full benefits possible. There is an opportunity to avoid this same situation in relation to energy efficiency delivery but aligning advice and installations from the outset of a DNO-led scheme.

Other consultation questions we would like to respond to in brief:

Q62. What specific issues are network companies facing in relation to the skills and capacity of their workforce and what measures should we take through the regulatory framework to mitigate these issues?

Q63. What specific issues are supply chains facing and what measures should we take through the regulatory framework to mitigate these issues?

While these questions relate to DNO workforce resilience specifically (e.g. engineering specialists, excavation teams, jointers and overhead linepersons) and the direct supply chain for distribution network assets, we would encourage consideration of the wider context of the skills and resource needs in the green energy sector as a whole. The UK's energy efficiency sector faces a significant skills shortage, particularly with the growing demand for renewable technologies such as solar PV, batteries and heat pumps. Beyond the immediate need to support the 5-6 million fuel poor homes in the UK, the majority of the 27 million total households will require some energy efficiency retrofit to achieve Net Zero. The workforce to support those properties, and service those installations on an ongoing basis, is significant. For example, Retrofit Assessors/Coordinators are required for all major energy funding programmes in the future, with only ~350 professionals currently available nationally. Moreover, government policy figures suggest 600,000 heat pumps may need to be installed annually, but only 137,000 gas-safe engineers are currently available, while apprenticeship training for heat pumps and renewable technologies are limited.

When addressing their own workforce resilience plans, DNOs should be encouraged to work with the wider energy efficiency sector to ensure that by addressing their own direct needs they don't inadvertently exacerbate the skills gaps elsewhere. To aid this, it would be welcome if Ofgem can provide longer-term certainly over funding to DNOs for enhancing the skills and capacity of their workforce. This in turn will enable (perhaps with Ofgem incentives) DNOs to engage and align offerings with regional training providers. There are also opportunities to collaborate on our respective schools education programmes to generate a pipeline of young people seeking roles in green energy.

Thank you for the opportunity to respond to this consultation. Our response is not confidential. If there are any aspects you would like to discuss in more detail, please get in touch.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alex Wilkes'.

Alex Wilkes, Commercial Director