

Fairness and REMA

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Euan Graham - Citizens Advice

Maxine Frerk – Sustainability First

Fairness is important to people

“As with most things in life, the solutions to climate change are neither easy nor free, but they need to be fair. Fair to people with jobs in different sectors. Fair to people with different incomes, travel preferences and housing arrangements. Fair to people who live in different parts of the UK”.

Climate Assembly UK 2020 – The Path to Net Zero

But no off-the-shelf solution as to what “fairness” means in practice - including for REMA

Fairness and REMA

Where particular focus may be needed in order to ensure fair outcomes:

- **How are costs and benefits allocated?**
- **Exposure to price signals for flexibility**
- **Implementation of reforms**

Different trade-offs will need to be managed

- 'Least cost' vs. least distributional impacts
 - Between levels of ability to engage
 - Between different regions
- The needs of current vs. future consumers
- The needs of domestic vs. non-domestic consumers

Today's session will likely highlight further trade-offs

Context: fairness principles for REMA

- Lots of existing concepts – no simple definition of fairness:
 - cost reflectivity / no excess profits,
 - polluter pays,
 - equality,
 - equity,
 - affordability
 - energy as an essential service => human right
 - procedural fairness
- Conclusion of Sustainability First work on principles = start by defining fairness in each case
- Strawman drawing on past work by Citizens Advice and Sustainability First
- Looking for your input on principles and fair outcomes in next breakout session

Principle: Equitable treatment

- In moving to **sharper price signals** recognise that some people will face barriers (financial / non-financial) to participating in flexibility
 - ⇒ Targeted additional support provided to help overcome financial barriers
 - ⇒ Work to overcome non-financial barriers and enable participation
- In recovering **wider system costs** recognise existing income inequalities and affordability issues
 - ⇒ cost recovery progressive ie those who can afford to pay more should pay more

Other principles

Inclusive:

- Works for all – especially those in vulnerable circumstances

Justifiable:

- End users only exposed to price signals to which able to respond
- Costs not unduly borne by those least able to pay

Transparent:

- End users involved in policy debate and understand bill impacts
- Policy options evaluated ~ fair outcomes
- Roles clear across BEIS, Ofgem, ESO.