

**Energy Bill 2011 Public Bill Committee, House of Commons
Memorandum submitted by Energy Action Scotland (EN 31)**

Energy Action Scotland

1. Energy Action Scotland (EAS) is the national charity campaigning for an end to fuel poverty in Scotland. EAS has been working with this remit since its inception in 1983. It is a membership organisation and has members in all sectors across the country. EAS sits on the Scottish Government's Fuel Poverty Forum and is a member of the All Party Parliamentary Fuel Poverty and Energy Efficiency Group at Westminster.

EAS supports the Energy Bill in principle, specifically in relation to improving the energy efficiency of homes and supporting fuel poor, vulnerable consumers. Tackling fuel poverty in a serious and sustainable manner demands that the fabric of the UK's housing stock must be improved in a strategic and systematic way.

Context

2. The Scottish Government is required by the Housing (Scotland) Act 2001 to end fuel poverty, as far as is practicable, by 2016 and plans to do this are set out in the Scottish Fuel Poverty Statement. The number of Scottish households living in fuel poverty in Scotland was 770,000ⁱ in 2009, representing 34% of total households. Given further price increases since these figures were reported (and anticipating the likelihood of more increases in the wake of ScottishPower's recent announcement), EAS estimates that almost 40% of Scottish households will be fuel poor by the end of the yearⁱⁱ.
3. As part of the Energy Bill the Government intends to introduce two new programmes to support improvements in household energy efficiency:
 - The Green Deal which is to be targeted at able-to-pay consumers
 - The Energy Company Obligation (ECO) which will be for fuel poor consumers. The ECO is also likely to support more expensive measures in hard to treat homes
4. These two programmes will represent a major change in the way in which fuel poverty and energy efficiency is tackled across Great Britain. The ECO has the ability to impact significantly on the manner in which Scotland supports its fuel poor and vulnerable households as the Scottish Government's Energy Assistance Package (EAP) relies heavily on the current CERT programme. Currently the CERT programme funds the insulation offerings of the EAP and replacing it with these the new programmes will inevitably bring changes in how the Scottish programme will run.
5. To better understand the potential impact of the Green Deal and the ECO Energy Action Scotland and Consumer Focus Scotland organised a seminar in February 2011 with two aims:
 - to inform stakeholders of developments to date regarding the Green Deal and ECO
 - to provide a platform for discussion and an opportunity to highlight Scottish concerns to officials from the Department of Energy and Climate Change (DECC) who are working to develop both programmes
6. EAS has a number of recommendations from this seminar that it believes would help inform Members of the House of Commons Public Bill Committee in examining the Energy Bill and the obligations of the Green Deal and ECO contained within it, particularly in relation to fuel poor and vulnerable households.

EAS recommends that:

7. The programmes must provide advice at varying levels, from telephone based through to advocacy, and at various stages (pre- and post-installation of measures, for example). Long term maintenance, rather than just the installation of measures, is required to be factored into any calculation of cost and must be explained to the householder before decisions can be made of the suitability of measures to be provided. In addition, to ensure consumer confidence, accreditation of measures and contractors would be required and consumers should be given a single point of contact for any issues, whether around financing or the physical performance of measures. Consistent marketing of simple messages underpinning the Green Deal will also be needed to avoid confusion, given the range of factors involved.
8. The ECO should be open to delivery by trusted local agencies which, especially in rural areas, can increase awareness, access and subsequent take-up of available services. Unless safeguards are built in those householders living in rural areas will be disadvantaged as it is unlikely that providers will wish to offer measures where the costs associated with their delivery will be significantly higher, i.e. transport and material costs can often be much higher particularly when this is off the mainland, for example the Western Isles
9. A clear and consistent process will be needed to assess what measures are appropriate for individual households, including, as a minimum, the most cost effective insulation measures. This process must be independently monitored to ensure the customer receives the most appropriate advice for their needs. For example if the “Golden Rule” is to be underpinned by an Energy Performance Certificate (EPC), then there is a need for a robust process of quality assurance for this activity. In Scotland it is not necessary to have the Domestic Energy Assessor (DEA) qualification in order to provide an EPC. Providers must be a member of a recognised protocol organisation and it is the duty of that organisation to ensure that its members are appropriately trained. This training may include the DEA qualification, but it is not limited to this as it is in England, Wales and Northern Ireland. It is EAS’s view that quality assurance under the schemes in Scotland as they have been proposed are not sufficiently robust to give confidence that EPCs could be used to determine the parameters of a Green Deal finance arrangement.
10. Enabling funds should also be available, whether to bridge the cost of delivering measures in remote rural areas (where cost is a recognised barrier) or to ensure that conventional barriers, like difficult access or loft clearance, are addressed.
11. A clear approach is needed to take account of the high proportion of flats in Scotland, especially since individual flats within a block often have different tenures, and this is already a barrier to energy efficiency work.
12. Targeting of the significant, but clearly limited resources which will be available through ECO; the need for support for “working poor” families has been highlighted by a number of EAS members as a priority, in addition to conventional passport benefit approaches. Rural issues are important here too, because of the extra costs involved in working in sparsely populated areas but where the degree of fuel poverty is usually much higher. In some parts of rural Scotland it is reported that as many as two in every three households are fuel poor.
13. For rural areas, it is important that finance is available to connect properties to the gas grid, where possible and economic, or to support the installation of appropriate microgeneration where mains gas is not a realistic option.
14. There is a need for both programmes to take account of climate in assessing the likely impact of energy efficiency measures. The current methodology for calculating savings of measures provided by CERT and CESP does not reflect the true carbon savings for measures installed in Scotland. If used in the Green Deal and ECO this methodology will underplay the savings and may make the measures appear uneconomic. There is argument for having a regional multiplier based on carbon, and perhaps using weather stations and degree days, to ensure a more equitable share of the programme’s resources. NHER and not SAP should be used as a

rating scheme as it takes geographic location and therefore climatic variations into account (this is the methodology used by the Scottish House Condition Survey). Factoring climatic conditions shows that carbon savings, for the same measures, will be greater in Scotland, which has in general terms a colder climate, longer heating season and as a consequence, higher fuel bills.

15. The ECO should not be used to support able-to-pay customers who wish to have higher finance measures installed in their homes which would not otherwise meet the “golden rule”, for example external wall insulation. The money raised via the fuel bills of fuel poor households must not be used to fund measures for better off customers who can afford Green Deal finance. The funding raised from consumers bills for the ECO will not be based on the customer’s ability to pay or indeed the amount of energy they use or require to use, therefore a single pensioner living in a one bedroomed house will pay from their bill exactly the same as a family of four, who are all in full time employment, living in a four bedroomed house with a much higher energy use. The funds to be raised to support ECO are already regressive in nature. To use them to support the Green deal makes them doubly so.
16. Delivery of the ECO must be both reactive and proactive. There are benefits such as economies of scale in operating with an area-based approach, but when dealing with vulnerable people and those whose circumstances are urgent – as would be the case in the ECO – then help will be needed as soon as possible and not in, say, three years down the line when the programme reaches that street. Fuel companies should therefore be able to work with local authorities and other social housing providers to deliver such area based programmes and have these as part of the ECO.

Areas still to be addressed:

17. The Green Deal may drive up the delivery of energy efficiency measures to private sector homes, however in terms of tackling fuel poverty and climate change the ECO is more important. Current UK Government proposals will place further burdens on gas and electricity users via blanket charges on bills. These charges do not reflect energy usage, ability to pay or eligibility to access the benefits (i.e. support provided by schemes financed via the blanket charges) and mean that the poorer consumers pay disproportionately more to fund schemes to tackle energy efficiency and fuel poverty. As the ECO will be one of the schemes funded from consumers’ gas and electricity bills it is vital that we get its design and delivery right.
18. It is suggested that the savings made by the installation of such energy efficiency measures as are suggested as part of the Green Deal and ECO will save consumers money and reduce fuel bills, however experience from the delivery of fuel poverty schemes in Scotland suggests that this is not always the case and that many consumers will take the assumed savings in increased comfort levels. Some consumers’ energy consumption may well increase as they have the ability and confidence to heat the whole home rather than a single room. It would appear that in any calculation of saving seen by EAS to date this has been ignored. It is however a very real situation.
19. There is insufficient detail about how Green Deal and the ECO will work in practice. Fundamental issues raised throughout the time since the programmes were first announced have not been addressed. The consumer organisation Which? Has estimated that even at fairly conservative interest rates, many of the most common energy efficiency measures will not be viable in terms of meeting the Golden Rule. Green Deal take-up rates will be significantly impacted on by interest rates, but these are not yet known. Nor are the additional costs that will also attach to any Green Deal funding package – surveys (impartial assessments as well as quotes for work), provision of advice, administration, etc. Gregory Barker has indicated that assessors for Green Deal measures will be expected to consider the possible role of the ECO when assessing for the Green Dealⁱⁱⁱ. However, if Green Deal cannot ‘stand on its own two feet’ without support or subsidy (to facilitate provision of measures for able-to-pay

consumers), support or subsidy must not come from the ECO, which should be reserved for fuel poor and vulnerable consumers.

20. There is little detail on how and whether Green Deal will take into account any change in circumstance that might impact on its 'customers' – for example becoming unemployed, retiring, etc. and the consequent effect on income/spending power. Will there be a mechanism in place to ensure that where necessary, consumers can switch between Green Deal and ECO? If so, what steps will be taken to ensure that the support mechanisms for these consumers are in place for the duration of the Green Deal repayment schedule? From the point of view of consumers, whilst the Golden Rule indicates that the funding package might be repaid from savings made by its current occupants, future occupants of a Green Deal home will not feel the benefit of that financial saving.
21. Consumer understanding of energy tariffs and bills is already a cause for concern – tariffs are numerous and complex, they vary in line with payment methods, bills are difficult to interpret and understand. Communications with consumers must be in writing and be clear and specific. They should show for example, measure costs, interest charges, other fees, levies, etc. It is not yet entirely clear how Green Deal will be paid for by the consumer, especially with regard to those using prepayment meters, nor does consideration seem to have been given to the fact that a prepayment meter doesn't deduct charges on an instalment basis, so impacts on the assessments made for the Golden Rule^{iv}.
22. A further complication at this time is the upward trend of fuel prices the recent rises will make money tighter for many families and, in the case of the Green Deal mean that they may not wish to have any further burden on their fuel bills for theoretical savings in the future. Recent research^v shows that more than 1 in 3 households have less than £100 personal disposable income at the end of each month. Until the Golden Rule is clarified and assessments are proven to be accurate (is it a Golden Suggestion rather than a Golden Rule?), many consumers will not have the confidence to commit to Green Deal, especially for measures which will have to be paid for over a long period.
23. There are no targets set for the ECO in terms of measures, nor is there a suggested cap per household/measure. Whilst a desire for flexibility is understandable, this fuels existing concerns about the use of the ECO as a subsidy for higher cost Green Deal measures. The lack of a target also means that it will be difficult to monitor and review progress once the programme starts. It will also make planning for and targeting of other resources more difficult. This is a particular issue in Scotland, where CERT currently supports the Scottish Government's fuel poverty and energy efficiency programmes.

Conclusion

24. EAS believes that in order to treat fuel poverty, the most sustainable option is to invest in the housing stock by increasing its energy efficiency. Poorer people are more likely to live in poorer housing that is energy inefficient, with inefficient heating and which is generally less well maintained. Programmes of support for these people must be part of a robust, strategic plan that targets both homes and people in a consistent and holistic way. This plan must be directed by Government. The Energy Bill has the potential to be the 'robust, strategic plan' that is required. Effective implementation of the plan however relies on the decisions that are still to be made as part of the secondary legislation process.

June 2011

ⁱ Revised Scottish House Condition Survey Key Findings Report 2009

ⁱⁱ Scottish Government estimates that every 5% increase in fuel prices will result in another 46,000 households becoming fuel poor - [Progress Update on the Fuel Poverty Statement](#) (Scottish Govt, 25 November 2010)

ⁱⁱⁱ Energy Bill: Public Bill Committee: Sitting 1

^{iv} Energy Bill: Public Bill Committee: Sittings 1 and 4

^v ICM Research, 2011