

Energy Action Scotland response to the Parliamentary Renewable And Sustainable Energy Group (PRASEG) and the Parliamentary Fuel Poverty and Energy Efficiency Group (FPEEG) Inquiry into Social Justice in the Low Carbon Transition.



Suite 4a
Ingram House
227 Ingram Street
Glasgow G1 1DA
Tel: 0141 226 3064
Fax: 0141 221 2788
Email: eas@eas.org.uk
www.eas.org.uk

Energy Action Scotland

Energy Action Scotland (EAS) is the national charity campaigning for an end to fuel poverty and to promote warm, dry and affordable to heat homes for all in Scotland. EAS has been working with this remit since its inception in 1985. It is a membership organisation and has members in all sectors across the country.

EAS is happy to provide the following information and statements to PRASEG and FPEEG to help inform their inquiry. The comments and statements provided follow the details provided in the call for evidence document by session and questions asked in each of those sessions.

Session 1

Introductory private MP brief followed by evidence session on Definition.

- *What are the current and existing mechanisms for identifying fuel poverty?*

Fuel Poverty has since its definition been identified by proxy. The definition of poverty was well established and the academic definition of fuel poverty used the definition of poverty as its basis for calculating what fuel poverty was. Given that we often refer to fuel poverty as a sub-set of poverty it seemed the easiest and most straight forward route to get to those living in fuel poverty was to target those households that could be reasonably described as poor that is those on certain means tested benefits. Unless there is a real calculation of the income level of a household and then to compare this with an accurate energy assessment of the home to calculate bills measured against theoretical spending needed to maintain a warm, healthy home against what people are actually paying then proxy's will be the easiest option.

- *How can a more accurate mechanism of identifying who is in fuel poverty be devised and implemented?*

The most accurate means of assessing fuel poverty is to undertake a full and comprehensive energy survey of the dwelling, have full disclosure of the household income and then make the calculation. A full assessment of the energy bill is also required to ensure that the best possible price is being paid for energy used. This process is personally intrusive in that it requires personal information to be given by the householder and costly as an up to date energy assessment is need of the dwelling. Surveys such as the Scottish House Condition Survey (SHCS) can offer certain predictors such as those who stay in homes built before 1919, those with single glazing, or those who do not have access to mains gas and have no central heating. Again these can be treated as proxies as a number of those in such circumstances would have incomes that would provide the heating and power needed for less than 10% of their disposable income.

Therefore the best proxy continues to be means tested benefits as those receiving such financial support are themselves in financial difficulty. It could reasonably be argued that those relying on means tested benefits would not be able to afford or to finance home improvements that would lead to reduced energy bills.

Information from the SHCS 2009 - Published 25 November 2010 showed that 98% of those in the lowest income band (less than £100 pw) are fuel poor, with over 80% of those in the second income band and 41% of those in the third lowest income band fuel poor. Compared to 3% of those in the highest income band and 10% of those in the second highest income band.

- *What proxies and delivery agents should we use to improve targeting?*

Proxies as described above and for delivery agents please see below

- *How can the fuel poverty-proofing process be individuated to households, whilst continuing to push up SAP ratings in all homes?*

Programmes/projects such as Warm Zones and the Energy Assistance Package (EAP) as provided in Scotland if joined together could provide what is really needed, a programme that is both proactive (Warm Zone) and reactive (EAP). The need to raise the energy efficiency of all homes to prevent or remove occupants from fuel poverty is best done using a zonally or area based approach where every house in a designated area is assessed and measures provided to take the home to an agreed level of energy efficiency. This can be achieved using a combination of funding, grants and loans, grants for those unable to pay for measures and loans for those who can afford such measures. The reactive process of the EAP allows those who have either identified themselves as fuel poor or who have been referred on by other trusted agents as being fuel poor to benefit from measures to alleviate fuel poverty. Both Warm Zones and EAP provide additional benefits such as benefit entitlement checks as well as assessment of the ability to apply for suppliers social initiatives.

However at present both schemes do not operate across the UK. What is ultimately required is a fuel poverty map of the country showing greatest areas of need and to then have an action plan to deliver the zone approach against the action plan while supporting other referred vulnerable households via an EAP type programme.

This approach while systematic would ultimately take some years to complete, but would in the longer term ensure that all homes reached a minimum level of energy efficiency.

Session 2

Existing Tools/ Transition:

- *What are the existing schemes and proposals from government?*

The existing programmes are reasonably diverse and can be difficult for the public and professional alike to follow. In England the programmes are, The Warm Front, a grant programme funded by Government, CERT and CESP funded by the public from charges on their gas and electricity bills, Warm Zones uses a mixture of these programmes and further utilises contributions from the public where the assessment is that the household is ineligible for full grant or CERT funding. However it should be noted that CERT and CESP are G-B wide as they are funded from a "levy" on all electricity consumers.

Scotland has its own equivalent of the Warm Front called the Energy Assistance Package (EAP) which delivers heating, insulation as well as benefit entitlement checks and referrals for vulnerable consumers to energy company's social tariffs. The EAP is further backed up by the Home Insulation Scheme (HIS and the Universal Home Insulation Scheme (UHIS) the latter two programmes are akin to the Warm Zones model but not as controlled as the Warm Zone and can be delivered differently. All three programmes rely very heavily on the financial input of the CERT programme to make them financially viable. These programmes demonstrate a good use of both Government and consumer's money working closely together.

- *What is the cost of them? Who pays?*

As above

- *Has the amount spent been distributed in a proportionate way in relation to the ability to pay?*

It could be argued that as programmes such as the Warm Front and the fourth stage of the EAP in Scotland only provide measures of heating and insulation to those on a qualifying means tested benefit then they have managed distribution of grant to those most in need. However as both schemes are delivering to those who self-refer then this may not be an accurate picture.

However as CERT provides both a full grant to those who are deemed to be fuel poor and partial grant to the able to pay customers this may seem to be relatively evenly spread across the UK for the measures on offer via this particular programme. However the exact breakdown of spend is not particularly well recorded and it is suggested that the distribution of grant both full and partial is not proportionate across the whole of the operating areas. CERT is of course limited in the provision of measures so by default areas where there are fewer cavity walls or fewer lofts will receive fewer grants and measures installed.

- *What are the medium and long term benefits accruing from a transition to the low carbon economy for all energy consumers and in particular the fuel poor in terms of the following:*

1. *Lower energy bills,*

2. *Energy security*

For many fuel poor households the main driver is the cost of fuel irrespective of the fuel source. They do not care whether the source of their fuel is low carbon, renewable or otherwise. It is difficult to engage in such discussion when the choice is often to eat or to heat. Similarly when examining energy security the same thinking applies, as long as there is energy at the end of the switch or appliance and it is affordable then that is good enough for many. The debate about the low carbon economy is academic for many who struggle to pay for any kind of fuel they need to heat and light their homes.

- *To what extent do/ can renewable incentive schemes such as the RHI and FITs benefit/ have a positive impact on the fuel poor?*

As it stands the FITs has little benefit to fuel poor households as in the main they would not have access to the capital required for the initial costs of the installation. Arguably if an individual household were part of a FITs scheme and able to use free generated electricity it would reduce their energy bill, if that household was fuel poor it could conceivably lift them out of that situation. This would be dependent on a number of factors, but any effect on fuel poverty is incidental rather than an intended outcome and specific to the household.

At present some companies are offering schemes which rent the householders roof, and provide the energy generated for free to the occupant while then reclaiming the FIT. While this is of some benefit if the householder can use the energy generated it does little to truly tackle fuel poverty. Again any effect on fuel poverty is incidental rather than an intended outcome and specific to the household.

- *How can the schemes be improved so that they are accessible to households in fuel poverty?*

See below

- Can the mix of climate, renewable and social obligations be integrated to ensure these potentially complementary commitments can be met?

Session 3

Future mechanisms:

- *How can we make future programmes work for the fuel poor?*

For future programmes to work for the fuel poor there are several factors to consider firstly who are the fuel poor and where do they stay, what are their characteristics? This could best be found out by a fuel poverty mapping exercise, using the house condition survey the index of multiple deprivation, the family expenditure survey and the census data along with other area specific information. A map showing the areas of fuel poverty could then lend itself to a programme of practical works such as that delivered by Warm Zones which in turn would then over a period of time tackle each area where fuel poverty is found.

In these identified areas a finance package needs to be in place to provide direct grant to the fuel poor and loans or partial grants to those not living in fuel poverty. This would aid delivery and take up of all measures necessary to both take people living in the area out of fuel poverty while fuel poverty proofing all other homes within the area from future fuel poverty.

- *What should the new Suppliers Obligation look like?*

It must be remembered that all suppliers obligations, CERT, CESP, social tariffs etc. are ultimately paid for by the consumer. Currently around £85 of every household bill is taken by the energy suppliers to meet their obligations. Any future obligation on suppliers will lead to further increases in fuel bills. However, products such as social tariffs do support vulnerable customers and have an important part to play ensuring that those who struggle to pay for the fuel they need have this at a price that is more affordable. For further information the Energy Action Scotland response to the Warm Homes Discount Scheme is attached, this explains in greater detail our stance on supplier's initiatives.

- *How can the government and industry ensure that the fuel poor benefit from infrastructure investment, climate change policies, and renewable incentive schemes and not simply act as a sponsor?*

It is important to recognise that many of these infrastructure investments require a great deal of finance and that the finance will always ultimately come from the public purse. Currently this is being done in a regressive manner by using a flat fee on every consumer, irrespective of how much energy they use or how much income they earn. It could be suggested that this form of "hidden" taxation shifts the consumers focus to the fuel companies rather than if the investments were to be met by the public purse and paid for through general taxation that is those who earn more pay more. Perhaps a fairer way would be to establish a halfway house; it is true that all consumers will benefit from infrastructure upgrades but not all at the same rate of benefit. By establishing both funding from the public purse and funding from consumers a fairer and more equitable scheme would ease pressure on fuel poor households while ensuring that we deliver the upgrades required to ensure that we all have access to affordable fuel in the future.

- *How can we ensure that the fuel poor are correctly identified and targeted by fuel poverty schemes – and what is the potential for data sharing in this?*

Please see comments under the first bullet point - How can we make future programmes work for the fuel poor?

- *What role should Local Authorities play? What is the potential for community ESCOs and co-operatives?*

Local authorities have played a significant role in the delivery of energy efficiency and fuel poverty programmes for many years working in partnership with fuel suppliers, NGO's the insulation industry and householders. Local authorities can have a vital role in delivery by bringing partners together for example in Aberdeen the local authority was instrumental in setting up an arm's length company to deliver affordable warmth and tackle fuel poverty in the city's high rise tower blocks creating the Aberdeen Heat and Power Company. EAS believes this is a good example of the local authority leading the way to deliver affordable warmth for a difficult sector of the community. EAS would urge the committee to either visit the Aberdeen Heat and Power Company or take evidence from its members.

- *How can we best ensure that the fuel poor benefit from the PAYS model?*

Pay as you save will always be a difficult concept for many fuel poor households as the cost of the initial works or measures require access to finance and as many households living in fuel poverty have poor credit ratings, use expensive payment methods for the purchase of fuel due to lack of a bank account. And when coupled with the fact that many fuel poor households do not use the fuel they should to maintain a healthy lifestyle and when given or have energy efficiency measures installed would actually, in some cases, use more fuel not less it is difficult to see how a PAYS model would work, unless the investment was at such a level as to make the house extremely energy efficient and significantly reduce the fuel use.

It is suggested therefore that grants not loans continue to be the delivery vehicle for improving and delivering benefit to fuel poor households.

- *How can the new suppliers obligation be made as effective as possible in terms of targeting the fuel poor?*

A number of suppliers have invested a great deal of resource to understand their customer base better, for example using GIS planning couple with the type of data already noted in this response to identify a number of their consumers who might be described as vulnerable or fuel poor. This in turn helps them target those resources to best effect. For example Scottish and Southern Energy when developing their social tariff which gave a 20% discount on the cost of fuel to vulnerable fuel poor customers used an extensive mapping exercise which when coupled with their own customer information allowed them to pinpoint with some degree of accuracy customer households who could be thought of as vulnerable or fuel poor.

Suppliers must be encourages to use this type of innovation to target their customers for help rather than some of the blunt measures currently being suggested such as the warm homes discount.

However as stated earlier in this document suppliers obligation is ultimately paid for by the very consumers it sets out to help. It should therefore at all times be fair and equitable and applied across all vulnerable and fuel poor groups within society and not just those of pension age who are easy to find.

- *What role can the Green Investment Bank play in securing social justice in the low carbon economy?*

The Green Investment Bank should look to support initiatives such as Aberdeen Heat and Power which tackle not only carbon reduction but provide affordable warmth while tackling fuel poverty. Such initiatives are losing out on funding currently despite the impact to local communities. If every local authority were able to set up similar not for profit companies and grow combined heat and power delivery for hard to treat/hard to heat properties there would be multiple benefits.

More localised generation of heat, feeding greener electricity into the grid, helping to decarbonise the national grid where CHP could be delivered via bio-mass and of course providing warmth and hot water at affordable prices to householders at a local level.