

Energy Action Scotland response to the Consultation on the Principles of Warm Home Discount Policy and Scheme Structure

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.

As EAS is in disagreement with the policy and scheme structure of the Warm Home Discount the following response is provided as a general statement rather than addressing each of the individual questions posed throughout the consultation document.

General comment

Energy Action Scotland would not agree with the Warm Home Discount Policy as outlined in the consultation document for the following reasons.

The scheme is completely regressive as all monies to fund the scheme will come from all consumers while not all consumers will benefit. The scheme also continues to use proxies for assumed calculations of fuel poverty and only takes the most basic of steps to establish eligibility via one means tested benefit, while placing a subjective obligation on suppliers for the non-core group. There is no consistency in this approach. Using a proxy for one group and a subjective view of establishing eligibility for others is not consistent. It is creating a two tier programme.

The scheme aims to tackle fuel poverty by addressing the cost of fuel through a discount, however price rises this year alone have taken away a substantial amount of any perceived benefit of reduced costs. Any future increases in bills, future increases are already being spoken about, would either give the discount zero worth or if it was to keep pace with the fuel price rises push consumer bills up further, a vicious circle. And as the discount will only apply to electricity payments it does not address the rising costs felt by consumers using non-regulated fuels such as oil, LPG etc. It does not in any way address the total energy used by the householder and makes a flat payment regardless of location, size of the dwelling or indeed the energy efficiency of the dwelling. It is well known that the costs for heating a home in the north of Scotland is substantially more than a similar sized home in the south of England.

Percentage Difference, by Area, of Heating Fuel Required Relative to Bristol

Location	Mains Gas	Oil	Electricity	Other Fuels	All Fuels
Bristol (Base)	0%	0%	0.0%	0.0%	0%
Edinburgh	27%	19%	28%	17%	25%
Glasgow	18%	10%	19%	9%	16%
Aberdeen	48%	35%	50%	37%	46%
Dundee	24%	15%	25%	15%	22%
Stornoway	47%	34%	48%	37%	45%



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Braemar	57%	44%	61%	44%	55%
Inverness	39%	28%	41%	29%	37%
Aviemore	40%	29%	42%	29%	38%

Source: Scottish House Condition Survey 2009.

		England	Wales	Scotland	Northern Ireland	United Kingdom
Commodity or service		Average weekly household expenditure (£)				
Electricity, gas and other fuels		18.70	20.40	20.00	25.70	19.10
4.4.1	Electricity	9.10	9.70	9.80	10.10	9.20
4.4.2	Gas	8.70	8.10	8.70	1.90	8.50
4.4.3	Other fuels	0.90	2.50	1.40	13.80	1.40
Total average per annum		972.4	1060.8	1040	1336.4	993.2

Source: Family Spending 2010 - A report on the Living Costs and Food Survey 2009. (Published: 30 November 2010, Office of National Statistics.) Table A36: Household expenditure as a percentage of total expenditure by UK countries and Government Office Regions, 2007-2009 based on weighted data and including children's expenditure.

Page 5, Progress Report on the Scottish Fuel Poverty Statement 2002, Published: 23 November 2010.

“For illustration purposes; data from the SHCS shows that a semi-detached house with gas central heating in the West of Scotland costs £120 more per annum to heat than a similar house in the South West of England.”

A better means of supporting those who rely on gas, solid fuel and LPG would be to bring these fuels into regulation and ensure fairness in the pricing structure while submitting suppliers to similar regulation such as CERT for the gas and electricity suppliers.

It could also be suggested that suppliers have no reason to reduce or cap future increases as households that struggle to pay bills will have financial support for bills via this scheme.

Furthermore the scheme focuses predominately on the elderly who are already supported by the Winter Fuel Payment and makes little support to the significant numbers of fuel poor households who are not in this age group. The figures used within the consultation document show that only 22% of households over the age of 60 are considered to be fuel poor, the document provides no figures for those groups who are fuel poor but are not disabled or have children under 16. It does acknowledge that the majority of fuel poor households are in the lowest three deciles of income but does little to suggest how these might be either found or supported.

Statistics from the Scottish House Condition Survey 2009, Published 25 November 2010.

Factors affecting likelihood of being in fuel poverty:

Rurality: 45% of rural households are fuel poor, 20% in extreme fuel poverty / 30% of urban households are fuel poor, 8% in extreme fuel poverty.

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- Rural households are more than twice as likely to be in extreme fuel poverty than urban households which is reinforced by the local authority analyses which shows that largely rural and remoter areas suffer the highest levels of fuel poverty:
 - The Western Isles has the highest percentage of population in fuel poverty - 58% fuel poor, 31% extreme fuel poverty
 - The Orkney Islands - 44% in fuel poverty and 33% in extreme fuel poverty
 - Dumfries and Galloway - 41% in fuel poverty

Pensioners: 65% of single pensioners and half of older smaller households live in fuel poverty.

- 23% and 20% respectively living in extreme fuel poverty

Non-Pensioners: 33% of single adult households and 32% of single parent households are in fuel poverty.

Tenure: Private sector households are twice as likely to be in extreme fuel poverty than social sector households.

Income: 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.

Energy efficiency: 67% of households living in a home with a poor NHER rating are fuel poor compared to 24% of households living in a property with a good NHER rating.

Primary heating fuel: Households using gas as the primary heating fuel are the least likely to be fuel poor (29%); followed by electricity (40%); then oil (50%) and finally the most likely are those households using other fuels (53%). Those using oil are most likely to be in extreme fuel poverty (22%).

The Warm Home Discount reduces the amount that industry already spends on other initiatives such as trust funds or working with the voluntary sector to support initiatives that work directly with fuel poor households and EAS sees this as a further regression of this type of help which it believes can be more beneficial than a small discount made directly to any household. Simple rebates offering money off bills do not tackle many of the underlying problems such as the understanding of the customer on how best to use and save energy within the home, or to have a third party agency advocate on their behalf in negotiating the repayment of debt or to prevent disconnection through misunderstanding, or to find creative ways to improve the energy efficiency of the home.

The amount suggested to be allocated across the four sections of the scheme suggest that Government simply wishes to provide, using customers own money rebates that do not tackle any inherent problems with the deregulated gas and electricity markets. While at the same time providing a small amount of funding, again from customers' bills, to allow industry to engage with voluntary and charity partners.

While rebates or discounts may seem an attractive option in the short term EAS believes the scheme not to be in the best interests of consumers in the longer term. It is therefore opposed to the scheme as it stands. EAS is asking Government to reconsider its approach to tackling fuel poverty both through the Green Deal and Energy Company Obligation and through this Warm Home Discount scheme.