

Consultation on a Fuel Poverty Strategy for Scotland

Energy UK response

1st February 2018

Introduction

Energy UK is the trade association for the GB energy industry with a membership of over 100 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK's energy industry – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 27 million homes and every business in Britain. Over 730,000 people in every corner of the country rely on the sector for their jobs, with many of our members providing long-term employment as well as quality apprenticeships and training for those starting their careers. The energy industry invests £12bn annually, delivers £88bn in economic activity through its supply chain and interaction with other sectors, and pays £6bn in tax to HMT.

These high-level principles underpin Energy UK's response to the Scottish Government's consultation on a Fuel Poverty Strategy for Scotland. This is a high-level industry view; Energy UK's members may hold different views on particular issues. We would be happy to discuss any of the points made in further detail with BEIS or any other interested party if this is considered to be beneficial.

Executive Summary

Energy UK members¹ take their obligations to their customers, especially those in or at risk of fuel poverty, very seriously and continue to play an active role in helping to alleviate fuel poverty through supplier obligations such as the Warm Home Discount (WHD) and the Energy Company Obligation (ECO). Whilst energy suppliers are playing an active role in helping to alleviate fuel poverty, it should be noted that fuel poverty is a wider societal problem which needs to be addressed at its root cause through greater action on energy efficiency and poverty reduction.

Energy UK therefore welcomes the Scottish Government's focus on eradicating fuel poverty through its Fuel Poverty Strategy. In particular, we welcome that the Scottish Government are taking a holistic approach that looks at all of the factors that contribute to a person living in or being at risk of fuel poverty. The Fuel Poverty Strategy, the forthcoming Warm Homes Bill as well as Scotland's Energy Efficiency Programme (SEEP) all complement each other to address the issue of fuel poverty which we very much welcome and we await the detail on how they will work together in practice.

We support the development of a revised Fuel Poverty Strategy and a new definition of fuel poverty for Scotland. We welcome any revision of the definition that provides a more accurate measure of fuel poverty and that enables the Scottish Government to measure progress. We are, however, concerned that the definition will add a level of complexity that risks making it unworkable for those having to apply the definition in determining people eligible for support under the different fuel poverty schemes. We urge the Scottish Government to pay careful consideration to ensuring that any definition is indeed workable and will deliver the right outcomes for the fuel poor.

Furthermore, we welcome that the Scottish Government are consulting on a new statutory target for eradicating fuel poverty. Energy UK considers such a target to be the right policy commitment.

¹ Energy UK's retail members include: Bristol Energy, British Gas, Co-Operative Energy, Green Star Energy, Ørsted, Ecotricity, EDF Energy, Engie, E.ON, ESB Energy, Extra Energy, Flow Energy, Good Energy, Haven Power, Hudson Energy, npower, Octopus Energy, Opus Energy, OVO Energy, Scottish Power, Smartest Energy, Spark Energy, SSE, Utilita and Utility Warehouse.

In addition, Energy UK notes that a UK wide ECO scheme has worked well with over 13% of ECO2 delivery being delivered to homes in Scotland. Scotland has received a disproportionate amount of measures under ECO2 to date, partly due to the matched funding from Scottish Government under the Home Energy Efficiency Area Based Scheme (HEEPS:ABS). For this reason, Energy UK supports continuing with a UK scheme in future.

Overall response to the consultation:

Energy UK will not be responding to individual questions in this consultation but will instead provide an overall response to the different sections outlined in the consultation document.

Review of the Fuel Poverty Definition:

Energy UK welcomes the work that the independent panel has undertaken to review Scotland's fuel poverty definition and in principle support any revision of the definition that enables those living in fuel poverty to be swiftly and accurately identified. Energy UK agrees that it seems sensible that households are deemed to be fuel poor if following the deduction of housing and energy costs, a household has less than 90% of Scotland's Minimum Income Standard (MIS) as their residual income. We do however, have some concerns about the added complexity of the definition and the risk that it will become unworkable and act as a hindrance for determining households eligible for support under different schemes aimed at reducing fuel poverty. Given the complexity of the proposed new definition we would suggest that the Scottish Government should continue to work with proxies which will allow relevant parties, including energy suppliers, to more effectively identify and target households in greatest need.

In the Fuel Poverty Strategy, the Scottish Government is consulting on setting a new statutory target for eradicating fuel poverty. Should the Scottish Government decide to proceed with setting such a target, it is important that the fuel poverty definition is workable and that it enables delivery of support to the households who are living in fuel poverty. As mentioned above, the use of proxies will be important in supporting delivery of measures to those fuel poor households.

In regards to the Scottish Government's proposal for using 75 years of age as a threshold for identifying those who are likely to be vulnerable to adverse health outcomes of fuel poverty, Energy UK would welcome this revision. We would, however, note that it is important that no households face adverse consequences from this change and that provisions should be in place for people who have already received assistance under the old definition but might still be in need of additional support.

Recognising the distinctiveness of all of our communities:

Energy UK agrees with the Scottish Government's assessment in the consultation document of the issues often faced by rural, remote and island communities and how these potentially put households at risk of fuel poverty. Energy suppliers have significant experience of delivering measures and support to these communities through ECO and have often encountered challenges associated with delivery to these households. The nature of the properties in these communities is often such that finding cost-effective measures to deliver can be difficult. We do, however, note that the Scottish Government has taken significant steps in aiding delivery through schemes such as HEEPS that matches ECO funding and enables more expensive measure such as solid wall insulation to be installed. Energy UK would recommend that the Scottish Government should continue to offer such match funding to the ECO scheme to incentivise the installation of more expensive energy efficiency measures, which can often be found in island or more remote communities. Furthermore, we consider the development and roll-out of SEEP, if done right, could be a great opportunity to coordinate other forms of funding, targeted with the objective of making a real difference for these communities in terms of tackling fuel poverty.

Partnership working:

Energy UK is supportive of the Scottish Government's focus on ensuring a comprehensive and joined up approach to tackling fuel poverty. The underlying causes of fuel poverty as well as households' unique circumstances are often complex. This presents a number of challenges when it comes to identifying households living in fuel poverty. Energy UK considers that a joined-up approach between

national partners as well as local delivery organisations could have a positive impact on the ground if these partnerships are coordinated in such a way that they support identification of and delivery to households living in fuel poverty. In particular, we believe that local authorities have a key role to play as they often have a better understanding of local conditions and will have access to different streams of data. Such data might include Community Planning Partnership (CPP), health and NHS data. In addition, we would encourage the Scottish Government and other key authorities to make use of the powers contained in the Digital Economy Act which includes provisions for the sharing of data for the purpose of alleviating fuel poverty.

We further note, that for a greater degree of partnership working to be successful, it is important that any revision of the definition of fuel poverty makes it easier for different organisations to apply and does not add an unnecessary degree of complexity or cost in terms of administering different schemes aimed at alleviating fuel poverty. The success or the failure of Scotland's Fuel Poverty Strategy will depend on what outcomes it is able to deliver and whether it better enables support to be delivered to those households who need it.

Targets and indicators:

Energy UK commends the Scottish Government's commitment to tackling fuel poverty and in principle welcomes the proposals for a new statutory target in the Warm Homes Bill that aims to eradicate fuel poverty. We note that the Scottish Government is consulting on putting in place sub-targets and interim milestones which is welcome as this will provide the framework against which the Government will be able to measure progress. The proposed sub-targets and interim milestones are ambitious and challenging. Achieving the sub-targets will likely require significantly higher levels of investment/funding than what is currently available although we recognise that the Scottish Government is looking to take a very progressive approach to this through its ambitious SEEP proposals.

In its consultation document, the Scottish Government is proposing that in contrast to the target itself, the sub-targets and interim milestone will not be statutory. This has the advantage of giving some scope for innovative ways of meeting the targets and milestones. While this is welcome, Energy UK considers that it is important that the Scottish Government gives serious consideration to carrying out detailed analysis on how these are to be achieved. Without such analysis, it is difficult to comment on whether these targets are achievable and workable.

Monitoring, evaluation and reporting:

As we noted in our response to the section on targets and indicators, Energy UK considers that should the Scottish Government decide to set a statutory target for eradicating fuel poverty, it will be important that it sets key sub-targets and interim milestones that are measurable and achievable. These sub-targets and milestones will need to be monitored, evaluated and reported on. Energy UK welcomes the establishment of the new Fuel Poverty Advisory Panel and Fuel Poverty Partnership Forum to carry out this work but considers that it is crucial that the Panel and the Forum are able to both support and hold Government and delivery partners to account in regards to delivering progress.

Outcomes and principles:

Energy UK broadly supports an outcome-focused approach as proposed by the Scottish Government. We would however, once again highlight that it is important that the new fuel poverty definition does not add a level of additional complexity. Such added complexity might have the unintended consequence of not delivering the appropriate outcomes for households in terms of tackling fuel poverty.

Assessing impacts:

We believe others are better placed to respond to the questions in this section.

For further information or to discuss our response in more detail please contact Cecilie Ingversen on 020 7747 2969 or at cecilie.ingversen@energy-uk.org.uk.