



HM Government

Cutting the cost of keeping warm

A new fuel poverty strategy for England

Consultation Document

URN 12D/100

Cutting the cost of keeping warm - a consultation to prepare for a new fuel poverty strategy for England

Presented to Parliament pursuant to Warm Homes and
Energy Conservation Act 2000

July 2014



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Secretary of State Foreword



Fuel poverty is a real and serious problem faced by millions of households in the UK today. It is a problem that leaves many facing difficult choices about where to spend their limited income. It leaves many fearing for their health or the health of their children as they live in a home seemingly impossible to heat. This Government is determined to act.

Throughout this Parliament we have taken action to support low income and vulnerable households to help them keep warm and pay their energy bills. We have improved the efficiency of hundreds of thousands of homes through the Energy Company Obligation, delivering heating and insulation measures that have permanently lowered bills. We

have provided direct financial help with energy bills when and where it is needed most, with support to some 2 million households each year through the Warm Home Discount. And, of course, we have driven major changes in our competitive energy markets, increasing fairness and accessibility for all bill payers, by encouraging new players to enter the market, promoting switching and establishing the Big Energy Saving Network.

Alongside this direct action we have carried out vital work to overhaul the framework for tackling fuel poverty in England. It is absolutely clear that measuring fuel poverty properly really matters. Without this, we cannot make sure that those most in need are helped first and we cannot get the best possible value from the significant resources directed at this issue.

When we amended the Warm Homes and Energy Conservation Act in 2013, we committed to put in place a new fuel poverty target for the long-term. I am clear that setting this target, based on major improvements to energy efficiency standards in fuel poor homes, marks the biggest and most important step of this process.

This target sets out our ambition for the future. Put simply, we want to put an end to those on the lowest incomes living in the coldest, least energy efficient homes. In this way, energy efficiency – already a driver of growth and an important weapon in the fight against climate change – becomes a major tool for social justice. Our fuel poverty target means the poorest and most vulnerable stand to benefit the most.

I know that putting the right framework in place is not enough. Action must follow. This consultation continues the process of reviewing and updating our policies to

address fuel poverty. It is required by law to help us prepare the strategy for meeting the fuel poverty target.

This consultation shows how we are moving from principles to practice. We will focus our attention on those who need our help the most – those with the largest fuel poverty gaps and those who are most vulnerable to the effects of cold homes. The document highlights our priorities for the evolution of policy design and delivery. It seeks views on short term actions and what might be needed for the long-term. Setting a long-term target means we need not be constrained by what we can and cannot achieve now. We can and must think bigger.

Our target means support for significant numbers of fuel poor homes so that they can enjoy higher energy efficiency standards. It's a major challenge – not just for Government but for all those working to tackling this issue. It demands change. It starts now.

EDWARD DAVEY MP

Secretary of State for Energy & Climate Change

Ministerial Foreword



Under this Government, a range of policies are making a real difference to hard-pressed consumers up and down the country. Last year, around 230,000 low income and vulnerable households received energy efficiency improvements under the Energy Company Obligation and there has been a consistent downward trend in the level of fuel poverty since 2010.

However, much more still needs to be done. It is absolutely right that we are focusing on understanding fuel poverty better and making sure this knowledge is reflected in a new measurement approach. Today, we are setting out our new ambition. We want to lift as many fuel poor homes as we reasonably can to higher energy efficiency standards.

This new approach will give us a clarity of purpose for the long-term. What is more, while Government can provide the framework, we know we will also rely on the efforts of a broader coalition of groups committed to tackling fuel poverty.

So, as we develop and deliver the policies necessary to meet our ambition, I will work to build a renewed sense of cooperation. This means closer and more effective work across central Government as well as more collaboration with local government, community groups and the third sector. This consultation document sets out our current thinking. We will use the responses received to review and improve our approach to maximise the likelihood of success.

Our policies will evolve over time, based on experience of delivery and others' expertise. But they will each need to play their part in keeping us on a trajectory to the 2030 target. We will need to keep a careful eye on progress throughout this period. The consultation sets out some ideas here too. It also makes it clear there is a need for an accountability framework that keeps this Government and future ones focused on meeting our goal. As part of this, we are reforming and improving the Fuel Poverty Advisory Group. We are also committing now to a regular debate in Parliament on fuel poverty.

Alongside a clear objective and system for holding Government to account for progress, we will publish a future fuel poverty strategy. This consultation is an important opportunity to frame that strategy. I encourage everyone with an interest to take an active part – and I look forward to seeing the results.

AMBER RUDD MP

Parliamentary Under Secretary of State for Climate Change

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General information

Purpose of this consultation:

This is a consultation to help Government to prepare a new fuel poverty strategy for England. The strategy which will set out how Government intends to achieve the new fuel poverty target for England as set out in the Fuel Poverty (England) Regulations 2014. These regulations were laid, in draft, before both Houses of Parliament on 22 July 2014. The consultation seeks views on how Government can improve the design and delivery of policy in order to try and meet the new fuel poverty target.

Issued: 22 July 2014

Respond by: 07 October 2014

Enquiries to:

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London, SW1A 2AW
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Consultation reference: URN 12D/100

Territorial extent: England only

How to respond:

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome. When responding, please state whether you are responding as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents and, where applicable, how you assembled the views of members. When responses to this consultation have been analysed, the Government will issue a response. This summary will include a list of names or organisations that responded but not people's personal names, addresses or other contact details.

Please respond to: fuelpovertyconsultation@decc.gsi.gov.uk

Or send your response to the following address:

Fuel Poverty Strategy team
Department of Energy & Climate Change
2nd Floor Area E
3 Whitehall Place

London, SW1A 2AW

Additional copies:

You may make copies of this document without seeking permission. An electronic version can be found at <https://www.gov.uk/government/consultations/cutting-the-cost-of-keeping-warm-a-new-fuel-poverty-strategy-for-england>

Other versions of the document in Braille, large print or audio-cassette are available on request. This includes a Welsh version. Please contact us at the above details to request alternative versions.

Confidentiality and data protection:

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information legislation (primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

If you want information that you provide to be treated as confidential please say so clearly in writing when you send your response to the consultation. It would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded by us as a confidentiality request.

We will summarise all responses and place this summary on our website at www.decc.gov.uk/en/content/cms/consultations/. This summary will include a list of names or organisations that responded but not people's personal names, addresses or other contact details.

Quality assurance:

This consultation has been carried out in accordance with the Government's Code of Practice on consultation, which can be found here: www.bis.gov.uk/files/file47158.pdf

If you have any complaints about the consultation process (as opposed to comments about the issues which are the subject of the consultation) please address them to:

DECC Consultation Co-ordinator
3 Whitehall Place
London SW1A 2AW
Email: consultation.coordinator@decc.gsi.gov.uk

Catalogue of consultation questions

1	What are your views on the interim milestones we propose to include in the fuel poverty strategy?
2	Do you agree that we should develop indicators for energy efficiency, renewables, distribution, non-gas homes, health and children? Are there other indicators that we should monitor?
3	Do you have evidence or views that will be of use in shaping our proposed research into park homes in 2014? You may prefer to respond to this question through the broader call for evidence published separately.
4	How can the fuel poverty strategy best support non-gas fuel poor households, particularly as we move to decarbonise heating? Please consider both short and long term action, and include evidence where possible.
5	Do you have views or evidence that will be of use in shaping our research on the potential for improved controls to help fuel poor groups manage their heating?
6	What existing evidence should we consider in analysing the impacts of energy efficiency measures on health and/or social care service costs?
7	How can we best support interventions to enable fuel poor people with existing health problems, or at risk of health problems, to benefit from energy efficiency measures? We would particularly welcome evidence on barriers you have encountered or examples of best practice.
8	Do you think development of a system of 'mandated' health referrals – linked to eligibility for fuel poverty interventions – is feasible? Considering issues such as scope, verification or benefit to recipients, how might it work?
9	Do you have views on how best to align the Warm Home Discount with the Low Income High Cost indicator?
10	In considering the reduction in means-testing for pensioners brought about by the Government's pension reforms, do you have views on additional ways to target direct payments and bill support to the fuel poor?
11	Do you have views on where we should focus future fuel poverty related behavioural

	research and do you know of any additional on-going work in this field?
12	To help inform development of the Community Energy one stop shop, what types of capacity support would help community groups increase their impact on fuel poverty (for example, information, training, mentoring, or local networking)?
13	What support would help to increase partnership working between community groups and other local level actors (ranging from Local Authorities to Health and Well-Being Boards and energy efficiency installers) in order to tackle fuel poverty?
14	How can Government support a collaborative approach to developing the fuel poverty evidence base? What are the best ways to communicate priorities? What tools would be useful to ensure a quality approach consistent with the low income high cost indicator?

Summary

This is a consultation to help us prepare a new fuel poverty strategy for England. That strategy will set out the Government's plans for achieving the proposed fuel poverty target set out in draft legislation laid before both Houses of Parliament on 22 July 2014. We will publish the new fuel poverty strategy once we have considered the responses to this consultation, and once the new fuel poverty target is in law.

This consultation document is organised into four sections:

- Section one sets out how we now understand the problem of fuel poverty and who we are trying to help.
- Section two describes the new fuel poverty objective - the new target - and our ambition to improve the energy efficiency standards of fuel poor homes.
- Section three sets out how we will develop a roadmap which will be reflected in the new fuel poverty strategy to meet the objective and how we will align our policies better with our new understanding of the problem. It also considers ways we can support the fuel poor in addition to improving the energy efficiency of their homes in line with the objective. This section has four key themes:
 - Warmer homes: cutting bills and increasing comfort in the coldest low-income homes, making a real and lasting difference through energy efficiency and heating improvements
 - Supporting people: helping people directly with their energy bills and helping to increase incomes
 - Fairer markets: ensuring that everyone can take action and benefit from a more open energy market
 - Improving delivery: making the most of the support available, getting it to the right people, and working together to support fuel poor households – recognising that fuel poverty is not a problem that central government can tackle alone
- Section four sets out our approach to assessing progress towards the target and how we will review the strategy over time. This will enable us to take account of the latest understanding of fuel poverty, developments in technology, and changes in the wider policy landscape.

1. Understanding the problem: who are we trying to help?

1.1. A meaningful new fuel poverty target and strategy, designed to drive real and lasting improvements to the lives of people living in fuel poverty, must be grounded in an understanding of the problem we are trying to solve. Defining and measuring fuel poverty as accurately as possible is vital. It helps us to judge the scale of the problem and to understand who is affected and how badly. It enables us to challenge long-standing, inaccurate perceptions of fuel poverty that have been reinforced by the previous, flawed definition.

1.2. The ground-breaking work of Professor Sir John Hills in his independent review of fuel poverty has laid the foundation for our new approach. The new indicator of fuel poverty he proposed – the low income high cost indicator – focuses on what makes fuel poverty distinct from general income poverty.

The low income high costs indicator

1.3. The recommendations of the Hills Review led the Government to adopt the new low income high costs indicator of fuel poverty. This finds a household to be fuel poor if it:

- Has an income below the poverty line (including if meeting its required energy bill would push it below the poverty line) **and**
- If it has higher than typical energy costs.¹

1.4. In essence, this means that **fuel** poverty is the additional problem faced by some low income households in having the highest energy costs.

1.5. Underpinning our measurement framework is a concern for how much energy people need to use to have a warm, well-lit home and hot water. We therefore base the framework on notional energy bills rather than actual spending. This helps ensure that the fuel poverty indicator does not overlook those households who have low energy bills simply because they are not switching their heating on. Further information on the measurement of fuel poverty is set out in Annex A.

1.6. An important innovation that results from the Hills Review is that our new measurement approach looks not only at the extent of the problem – how many fuel poor households there are – but also the depth of the problem – how badly affected each fuel poor household is. It achieves this by taking account of the fuel poverty gap, which is a measure of how much more a fuel poor household needs to spend to keep warm compared to typical households. Looking at the fuel poverty gap gives us a more sophisticated understanding of fuel poverty and, crucially, it enables us to focus our efforts on the nature and causes of the worst levels of fuel poverty.

¹ Further detail on how these thresholds are derived can be found here: <https://www.gov.uk/government/collections/fuel-poverty-statistics>

What is fuel poverty?

Households in fuel poverty face both lower incomes and higher energy needs compared to typical households.



Department
of Energy &
Climate Change



Typical **English**
household



Typical **fuel poor**
household

Annual **income** after tax and housing costs



£19,707

less
than
half

>



£9,330

Annual **energy needs**

Your
energy
bill



£1,242

£1,242

more
than
20%
higher

<

Your
energy
bill



£1,513

£1,513

Incomes are for 2012 and are adjusted to reflect spending power of households. Energy costs are also for 2012 and are those required to meet a standardised heating regime.

Figure 1: The low income high cost indicator - what does it mean?

Who are the fuel poor?

1.7. Using the new low income high costs indicator, we have developed a wide range of statistics that reveal which people and households are affected by fuel poverty. Figures 2 and 3 below seek to illustrate this, and a full breakdown of the figures discussed in this section can be found in the Annual Fuel Poverty Statistics Report.²

1.8. Under the new indicator fuel poverty is not just a problem found in older households, as is often suggested. Households with members over 60 do represent a quarter of the fuel poor population. But families with children and other working age households make up over 70% of those in fuel poverty. Of these, families are by far the largest single group (45%). 34% of those in fuel poverty have a disability or long term illness, some of whom are not able to work. However, around 80% of people living in fuel poverty who can work do so.

² www.gov.uk/government/collections/fuel-poverty-statistics

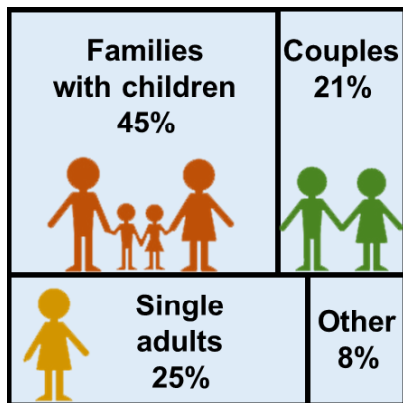
Who are the fuel poor?

The annual fuel poverty statistics reveal a lot about the typical fuel poor household, including dwelling and economic conditions.

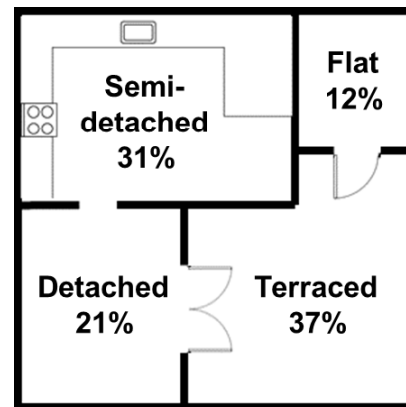


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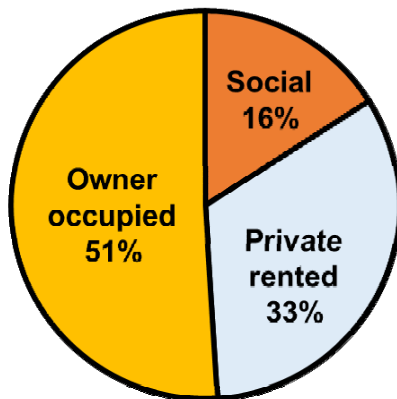
Mainly families



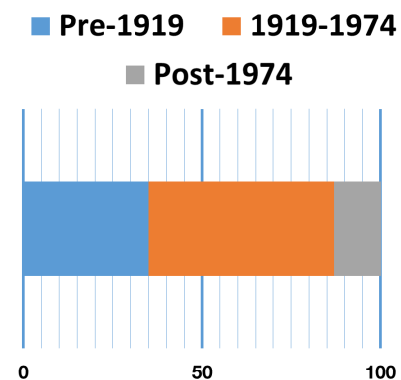
Living in larger homes



Usually private tenure



Living in old dwellings



Information is drawn from the annual statistics for 2012 which were published in June 2014 and which are available at www.gov.uk/government/collections/fuel-poverty-statistics

Figure 2: What the indicator tells us about who is fuel poor? Part 1

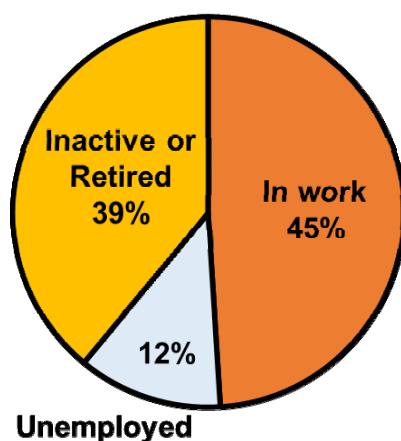
Who are the fuel poor?

The annual fuel poverty statistics reveal a lot about the typical fuel poor household, including dwelling and economic conditions.

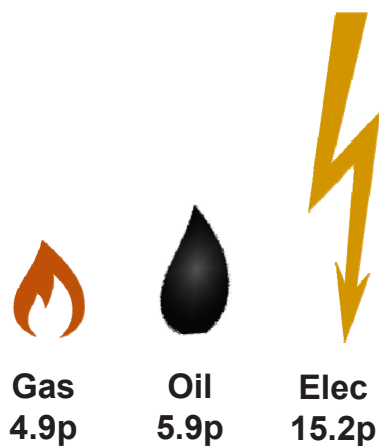


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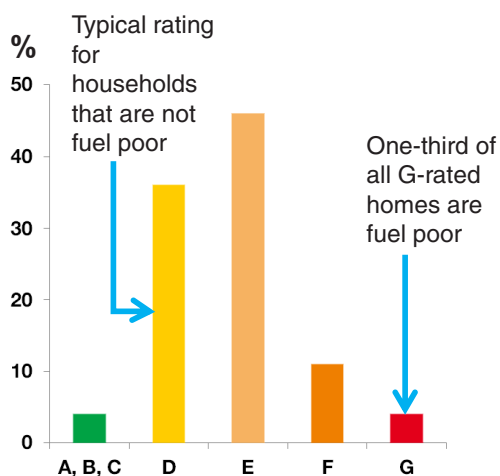
Working where possible



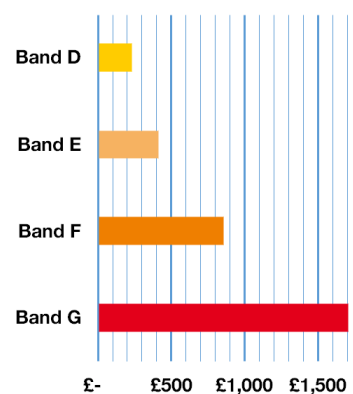
Pay high prices off-grid



Not energy efficient



Average gap per Band



All information is drawn from published DECC sources, with most information coming from the annual fuel poverty statistics for 2012 which were published in June 2014.

Figure 3: What the indicator tells us about who is fuel poor? Part 2

Where do fuel poor people live?

1.9. We have also looked at the types of properties fuel poor people live in. These are typically larger properties, predominately privately owned or rented (over 80%). Privately rented homes in particular are disproportionately represented amongst fuel poor households, reflecting the generally lower standard of housing in this sector. Those living in the deepest fuel poverty also live in the most energy inefficient properties, with 60% of fuel poor households living in the three least efficient property bandings (E, F and G).

1.10. Fuel poor households often use the most expensive fuels for heating, with few alternatives. Over a fifth of fuel poor households live in properties that do not use mains gas, compared to around 15% of the general population, and those living in non-gas homes³ are deepest in fuel poverty with the largest fuel poverty gap (on average over £800 compared to £332 for those using mains gas).

1.11. One traditional marker of fuel poverty has been payment type, in line with a widely-held view that households with prepayment meters are particularly likely to be fuel poor. The new measurement framework tells us that while different methods of paying for energy bills are associated with differences in the depth of the problem being experienced. This is not necessarily in the way expected: fuel poor households with prepayment meters tend to have the lowest fuel poverty gaps, while those on standard credit have the highest.

1.12. DECC models fuel poverty in England geographically, by local authority. The map below sets out the different levels of fuel poverty in different local authorities, helping to build a picture of where fuel poverty is most severe.

1.13. Taken together, these different types of information allow us to build a picture of fuel poverty, the people who are likely to be affected and the types of homes they are living in. In turn we can assess whether our policies are reaching the right households and seek to deliver them more effectively. We are conscious that we can go even further in improving data and analysis, and this is a priority that will be reflected in the fuel poverty strategy.

³ Homes that do not use gas as their main fuel.

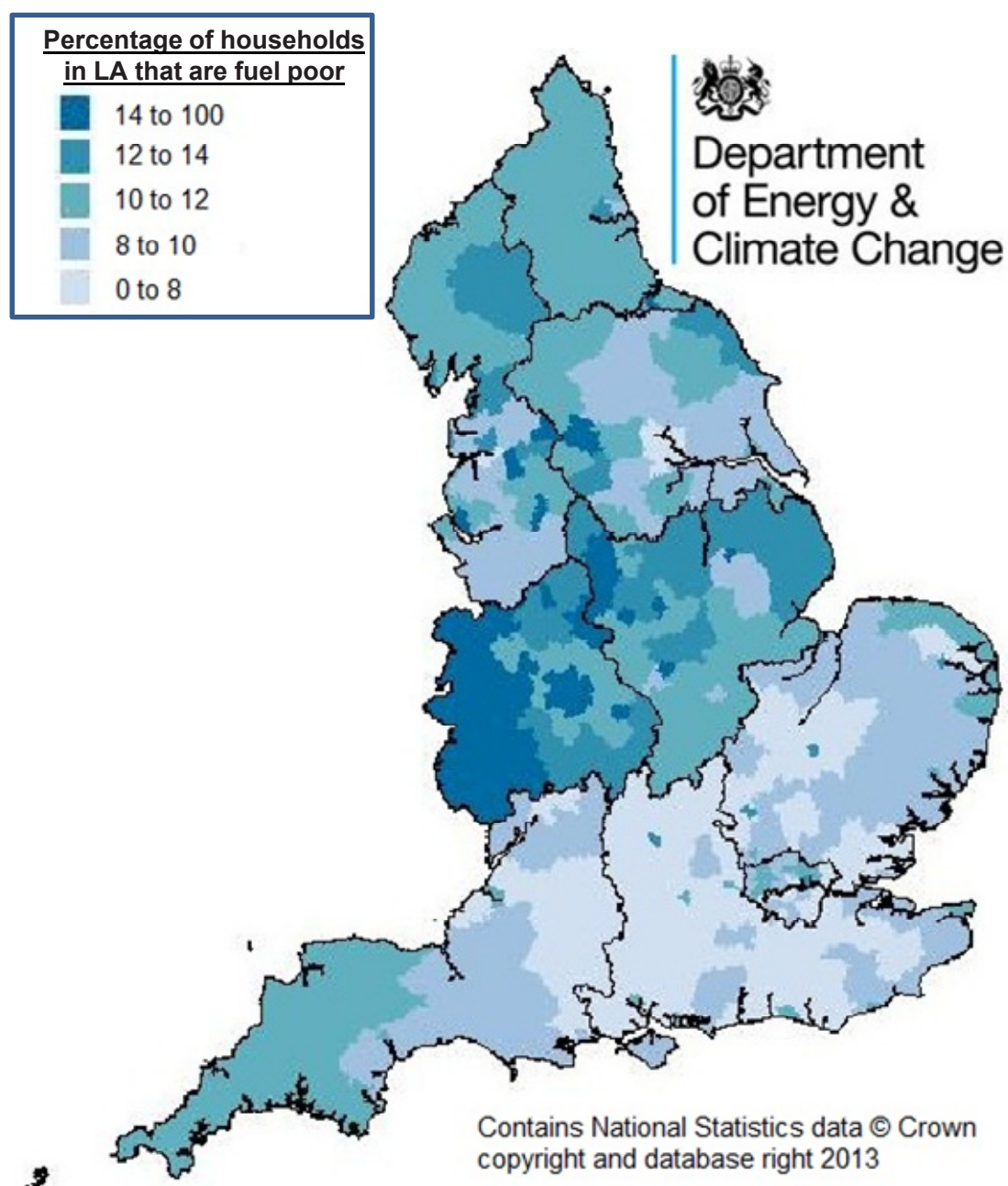


Figure 4: Percentage of households in fuel poverty by Local Authority

2. Setting a meaningful fuel poverty target

2.1 In developing a new framework for tackling fuel poverty in England, the Government has been clear in its aims: we need to understand the problem, measure it effectively and then put in place a suitably ambitious and meaningful target for change, supported by a set of policies to meet that target.

2.2 The Government believes that the previous approach, reflected in the former target – to ensure that, as far as reasonably practicable, no person lived in fuel poverty by 2016 – was flawed. That target, and the previous 10% of income indicator of fuel poverty, did not prove helpful in designing or directing policies to tackle the issue. We need to learn from this experience and put in place a better framework that reflects a more sophisticated understanding of the problem.

2.3 We believe the basis for the target should be in statute. A statutory basis ensures that fuel poverty remains high on the Government's agenda now and in the future, as we work towards major improvements in domestic energy efficiency. Through the Energy Act 2013, we therefore amended the Warm Homes and Energy Conservation Act (WHECA), which sets out the Government's duties in relation to fuel poverty. We have **retained the requirement to have in place a fuel poverty objective and a strategy for meeting that objective**.

2.4 The Government is required to set a new objective, effectively the new fuel poverty target, through regulations. We have therefore laid draft regulations setting out Government's new fuel poverty target before Parliament in line with the requirements of section 1A of WHECA. This legislation is subject to the affirmative resolution of both Houses of Parliament, and will therefore be debated by both Houses later this year.

A new fuel poverty target for England

2.5 Our new target focuses on improving the energy efficiency of fuel poor homes.⁴ This is particularly powerful as it makes explicit the link between the social justice agenda in energy and the climate change agenda. Improving domestic energy efficiency will be important for meeting our carbon budgets in the 2020s. Our fuel poverty and carbon objectives are strongly bound together, not in conflict.

2.6 We want to set a target that is suitably ambitious and that will result in a real improvement in standards. Focusing on improving energy efficiency means our action will make a real, lasting difference to household bills regardless of future energy prices. Indeed, benefits grow where prices rise.

2.7 **Our new target will be to ensure that as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency standard of Band C, by 2030.**

2.8 This is a challenging ambition. Currently just 4% of fuel poor households in England have an energy efficiency rating of Band C and above, compared to around 18% across all households. Around 36% of fuel poor homes are D rated, almost a half (46%) are E rated, with the remaining 14% being F or G rated.

⁴ Subject to Parliament's consideration of the draft regulations. See later in this section for how we propose to measure energy efficiency.

2.9 We believe this target is in line with the activity required to improve the energy efficiency of the wider housing stock in order to meet our carbon budgets. It will ensure the fuel poor do not get left behind in those efforts.

2.10 To get as many fuel poor homes as is reasonably practicable to a minimum of Band C will require a range of actions such as the installation of energy efficiency measures and bill rebates to help households with energy costs. It will mean trying to ensure that fuel poor homes have sufficient insulation in walls and lofts. Some homes could see the installation of a central heating system for the first time, while others could receive an upgrade to the most efficient boilers available or potentially have a heat pump installed.

2.11 The proportion of fuel poor homes that it is reasonably practicable to help is inherently uncertain and delivery will need to be informed by a range of factors, such as wider progress towards decarbonisation, changes in delivery costs and affordability. In particular, there is more to be done to understand how the energy efficiency landscape may evolve between now and 2030. It is possible that there will be future technological advances that will lower costs and increase technical potential.

2.12 We also need to be mindful of the experience of previous energy efficiency programmes which has shown that some householders do not want to accept support, or to face the upheaval that some major energy efficiency interventions require. This is a challenge common to all of our energy efficiency efforts and one that may recede as familiarity with technologies increases, and action on behaviour change takes hold.

2.13 Given these uncertainties, it is not possible to state the precise number of households that will be supported under this target.

How will we assess progress?

2.14 Given the wider action we will continue to need to improve energy efficiency in the domestic sector, it makes sense to focus on an end date which broadly aligns with the existing carbon budgets. While we envisage that the majority of loft and cavity wall insulation will have been installed where practicable by 2020, we expect there will continue to be significant potential to deliver, for example, solid wall insulation in the 2020s. We therefore considered that a target end date during the fifth carbon budget period (2027-32) was appropriate.

2.15 Within the new fuel poverty strategy, which will underpin the statutory target, we will set out interim milestones and target dates for achieving them. These milestones will assist us in making and assessing progress towards our goal we are trying to achieve.

2.16 **We propose to specify the following interim milestones in the new fuel poverty strategy:**

- (i) **as many fuel poor homes as is reasonably practicable to Band E by 2020 and**
- (ii) **as many fuel poor homes as is reasonably practicable to Band D by 2025**

What will this mean for real people in real homes?

2.17 The proposed statutory target and interim milestones represent a level of ambition which will make a real difference. To illustrate, a typical fuel poor household today might expect to face average energy costs of around £1,600 (over £2,100 for a typical F or G-rated

fuel poor household) compared to energy costs of around £1,000 for a low income household living in a similar property that is C-rated, or around £1,200 for a similar D-rated home.

2.18 This can be seen using our indicator of the depth of the problem, the fuel poverty gap. The average fuel poverty gap for those households deepest in fuel poverty is significant: for those in G-rated properties it is over £1,700 more than the average required energy bill, and for those in F-rated properties it is over £850 more. As Chart 1 illustrates, improving the energy efficiency of fuel poor homes will mean a real change to these households' experience by bringing down their fuel poverty gaps or removing them from fuel poverty altogether.

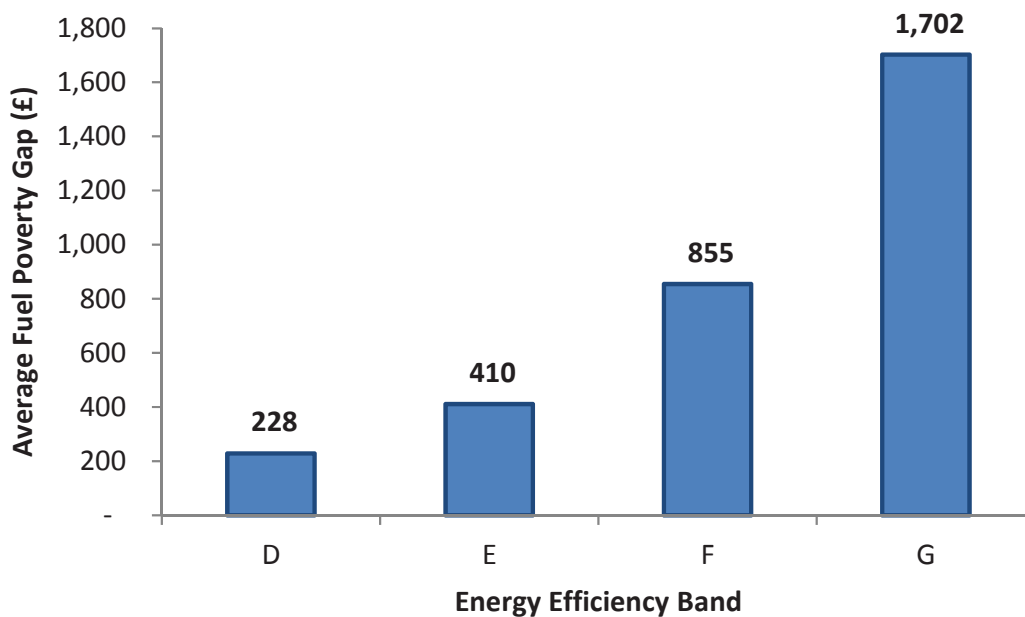


Chart 1: Average fuel poverty gap for fuel poor homes current in energy efficiency bands D to G⁵

Consultation Question

1. What are your views on the interim milestones we propose to include in the fuel poverty strategy?

⁵ Less than 5% of fuel poor households are currently in Band C or above. The average fuel poverty gap for these households is £552. The sample size of Band C fuel poor homes is relatively small, meaning that this finding should be treated with caution. Further, while it is important to recognise that energy efficiency is a key driver of the fuel poverty gap – other factors such as the size and number of people living in the home are also important and influence the size of the gap.

How will we measure energy efficiency?

2.19 The Standard Assessment Procedure (SAP) is the main way in which energy efficiency is measured. This assesses the energy performance of buildings and specifically the amount of energy a dwelling consumes in delivering a defined level of comfort (based on standard occupancy conditions) taking account of the sources of energy used in the dwelling and its cost. We have used this to develop a new Fuel Poverty Energy Efficiency Rating (FPEER) Methodology to be used to measure the progress we are making against the new fuel poverty target.

2.20 The standard SAP methodology is updated regularly, most recently in relation to the 2012 edition. Some of these updates are relatively minor changes to refresh assumptions about energy prices or to introduce new technologies. However, some of these updates could be more fundamental. Before we update the new FPEER methodology, we want to be able to understand the impact this will have on the target. For instance, a change to the SAP methodology might mean it shows an increased or decreased level of progress towards the target, where no actual change has taken place in the real world. We therefore intend to review the FPEER each time there is a major change to the SAP methodology. Section three sets out in more detail the way in which we will be reviewing the FPEER methodology.

2.21 Whilst we believe that energy efficiency will always be at the heart of the fuel poverty strategy, we know that there are other cost-effective policies which can offer people immediate help with energy bills. It is important that the contribution that these policies make to helping households manage their energy bills is also reflected in the way in which we measure progress.

2.22 The SAP-based FPEER methodology fuel poverty standard will therefore also include a modification allowing all current policies that have a direct impact on energy costs (e.g. the Warm Home Discount) to be reflected. Annex B sets out the approach we will take in more detail.

Other indicators of progress

2.23 As well as measuring the energy efficiency of fuel poor homes, we believe that a number of other indicators will be important in helping us to understand the factors driving progress towards the target. The annual fuel poverty statistics, as mentioned above, include a wide variety of information. We will continue to collect and report this kind of information. We also intend to pay particular attention to a specific set of indicators that will provide a good sense of the effects of our policies and of other factors. These are set out in Box 1 below.

Box 1: Other proposed indicators

- **Energy efficiency:** As well as headline figures on SAP ratings and the FPEER, we also want to monitor what is happening in relation to specific measures. So we propose to pay particular attention to:
 - presence of a central heating system in fuel poor households
 - number of fuel poor households with non-condensing boilers

Box 1: Other proposed indicators

○ number of fuel poor households with loft and cavity wall insulation

We hope to be able to monitor the number of fuel poor households with solid wall insulation in future.

- **Renewables:** We also want to monitor the installation of renewable technologies, so that we can better understand the impact of these technologies on energy bills and behaviours.
- **Distribution:** We also think it is important to understand the rate of improvement in energy efficiency in fuel poor households in relation to the national average. We therefore propose to publish the distribution of households across the different energy efficiency bands for both fuel poor households and all households.
- **Non-gas homes:** We know that living in a non-gas home is a significant factor in being fuel poor, and these households face some of the highest costs. Paying particular attention to the fuel poverty gap for non-gas grid households will help us to understand how their situation is changing.
- **Health:** As we set out in Section 3, there are clear links between action on fuel poverty and health benefits. However, monitoring this impact is far from straightforward given the role of other factors – in particular outdoor temperatures – that contribute to adverse health outcomes. We will continue to include statistics on the rate of excess winter deaths, as we know that living in cold homes contributes directly to these (though it is hard to pinpoint the exact relationship). But we are also interested in views on ways in which we can better measure the relationship between fuel poverty and health.
- **Children in fuel poverty:** We also know there is a link between educational attainment and living in cold homes, so we propose to monitor the number of children in fuel poverty and will publish the number of households with a child aged under 16 years.

Consultation Question

- | | |
|----|--|
| 2. | Do you agree that we should develop indicators for energy efficiency, renewables, distribution, non-gas homes, health and children? Are there other indicators that we should monitor? |
|----|--|

3. Developing a roadmap to 2030

3.1 It is right that action to tackle fuel poverty is based, first and foremost, on improving energy efficiency standards and this is reflected in the new fuel poverty target. At the same time, fuel poverty is affected by a wide range of factors – and we will continue to address this, taking care to view the problem from different perspectives. To be successful, a fuel poverty strategy must adopt a comprehensive approach, both supporting people and improving the homes they live in.

3.2 While establishing a comprehensive strategy of the kind needed is always a major task, the good news is that we are not starting from scratch. We already have a set of policies providing effective support to the fuel poor. This consultation marks a significant step in better aligning these with our new understanding of the fuel poverty problem.

3.3 This alignment exercise is not the end of the story. As it stands in 2014, we do not have the complete package of policies that will deliver the target. But we do have ambition to make life better for those struggling to keep warm at reasonable costs, and we are better equipped to steer future decision making about policy design and allocation of resources. The statutory objective proposed marks a significant new beginning.

3.4 Fuel poverty is a dynamic problem influenced not only by issues relating to the quality of the housing stock and the people in those houses, but also by wider changes in society and the economy. As such, the solutions available to solve the fuel poverty problem will evolve over time and the fuel poverty strategy – and the policies it identifies – will necessarily have to evolve to reflect this.

3.5 This is not to imply that the job of tackling fuel poverty is for Government alone. We know that there are things that only Government can do – including legislating to create the correct policy framework – but beyond this there are clear limits to the role of central Government. Trying to achieve the proposed target will require contributions from across society, including from industry, the third sector and citizens.

Shaping the future policy package

3.6 The document Fuel Poverty: a Framework for Future Action (“the strategic framework”) published in July 2013⁶, proposed a set of principles to guide progress: prioritisation of the most severely fuel poor; supporting the fuel poor through cost-effective measures; and ensuring that vulnerability is reflected in policy decisions.

3.7 We can use these principles in a number of ways to inform preparation of the new fuel poverty strategy for achieving the target; to assess the effectiveness of current policies; and to help shape the development of future policies. Since publishing the strategic framework we have tested these principles with stakeholders, and we continue to believe that they are useful in shaping the way we use available resources to address the problem in the most effective way.

⁶ www.gov.uk/government/publications/fuel-poverty-a-framework-for-future-action

Box 2: the guiding principles – the bridge between the Hills review and the new fuel poverty strategy

The strategic framework sets out three guiding principles:

Prioritisation of the most severely fuel poor: through the fuel poverty gap, the low income high costs indicator allows us to distinguish between fuel poor households on the basis of the severity of the problem they face. Households living in severe fuel poverty – i.e. those with the highest fuel poverty gaps – face the highest costs of maintaining an adequate level of warmth in the home. They also face some of the starkest trade-offs between heating the home and spending on other essential goods and services.

Supporting the fuel poor with cost-effective policies: the strategic framework set out the results of the work that we had done to better understand the relative cost-effectiveness of the different measures that could be used to support the fuel poor. The illustrative fuel poverty marginal alleviation cost curve (FP-MACC) published in the framework helped us to identify the sorts of interventions that we should focus on to ensure that fuel poverty budgets are used efficiently (and also highlighted the trade-offs associated with delivering more costly measures).

Reflecting vulnerability in policy decisions: we stated our intention to continue to prioritise ‘vulnerable’ fuel poor households (e.g. those containing an elderly person, a child or someone who is long term sick or disabled) within fuel poverty policies. We argued that this was justified on the basis of the additional negative impacts that vulnerable fuel poor households tend to face (e.g. the physical and mental health impact that can result from living in a cold home). We have made good progress in building our evidence base around the additional negative impacts that are faced by the vulnerable fuel poor, including as part of our Public Sector Equality Duty, and we are keen to build on this to ensure that we are correctly reflecting the concern for vulnerability in our policy decisions.

3.8 As argued in the strategic framework, we must also be mindful that fuel poverty policies are subject to significant financial constraints as well as broader delivery considerations. For example, ensuring that policies are supporting the most severely fuel poor will often cost more. Some of the factors that increase the likelihood of severe fuel poverty are associated with ‘hard to treat’ properties (e.g. off gas-grid and older properties requiring solid wall insulation) and prioritising support to these households may result in fewer households overall receiving support within a given budget.

3.9 Whilst we recognise that these principles do not provide all the answers when it comes to developing policy in this complex area, they offer important insights that will help to set us on the path to a more efficient and effective set of policies.

3.1 Warmer homes

Cutting bills and increasing comfort in the coldest low-income homes: a real and lasting difference

3.1.1 More energy efficient homes make a real difference to the people living in them: cutting their bills, and making their lives more comfortable. Energy efficiency policies will make a significant, cost-effective contribution to achieving the proposed new fuel poverty target.

3.1.2 The proposed target is stretching and ambitious – meeting the energy efficiency standard of Band C for as many homes as reasonably practicable will require upgrades to a significant number of homes. But we are not at a standing start. The Carbon Plan published in 2011⁷ states that to achieve the UK's legislative targets, emissions from all buildings must be 'close to zero' by 2050. In light of this, the Government has put in place a set of policies which seeks to transform the way we power and heat our homes.

What we are doing now to make fuel poor homes warmer

The Energy Company Obligation

3.1.3 The Energy Company Obligation (ECO) has transformed the speed and cost of delivering heating and insulation measures to homes in Great Britain.

3.1.4 ECO is supporting those unable to fully self-finance energy efficiency improvements or afford a long-term finance plan, providing them with the opportunity to benefit from warmer homes and more affordable energy.

3.1.5 ECO support for low income and vulnerable households is provided primarily through the Affordable Warmth⁸ and the Carbon Saving Community Obligations (CSCO).

3.1.6 In 2013, successful delivery of ECO saw:

- Over 335,000 measures delivered to 290,000 households under Affordable Warmth and CSCO
- More than 160,000 boilers installed under Affordable Warmth

3.1.7 Key to ECO's success is the delivery mechanism which has harnessed the power of the market to drive down costs. The design of the ECO has also naturally incentivised energy companies to prioritise households with the highest energy costs, where the greatest bill savings can be made. As we have already shown, relatively high energy requirements are at the heart of the fuel poverty problem.

New action through ECO

3.1.8 Earlier this year we consulted on proposals for the next period of ECO, with new targets for the period 2015-17 to be set in legislation later this year.

⁷ www.gov.uk/government/publications/the-carbon-plan-reducing-greenhouse-gas-emissions--2

⁸ Known in legislation as the Home Heating Cost Reduction Obligation (HHCRO)

3.1.9 This is crucial not only for people struggling to stay warm, but also for the supply chain and energy companies. It allows for longer-term planning which should help to reduce costs.

3.1.10 Delivery data from the first year of the scheme reveal much progress, but we are not complacent. While shaping the detail of the scheme for the period to 2017, we have focused on ensuring that ECO is achieving all our intended outcomes. For instance, we have recently confirmed plans, first set out in a March 2014 consultation on ECO⁹, to improve the scheme to:

- **Increase rates of delivery in areas off the gas grid.** Initial delivery data from ECO suggested lower rates of delivery in these areas than expected, including because targeting under CSCO has been too tightly defined. Because there is a link between off-grid areas and severe fuel poverty, we want to provide stronger incentives for higher delivery rates and make it easier for people living in rural locations to access support.
- **Ensure the quality of installations**, notably boilers. We want ECO to support high quality installations and have therefore consulted on provisions for minimum warranties for boiler replacements and installation works.

3.1.11 However, it is important to make sure that the overall costs of ECO remain controlled and do not rise unnecessarily, not least since this would have a particularly damaging impact on low-income families by adding unnecessarily to bills. In light of this, we intend to allow energy suppliers to count so-called “easy-to-treat” measures as a primary measure under the Carbon Emissions Reduction Obligation (CERO). This will allow for delivery of cavity wall and loft insulation, which are much cheaper than solid wall insulation.

3.1.12 Because the CERO part of ECO is available to all households, not just those on low incomes, it is likely that some relatively wealthy households could access subsidy for low-cost measures. These measures are already affordable for such households, and the up-front installation costs are recouped over a relatively short period of time. On the other hand, even relatively modest upfront costs can prevent low-income households from improving their homes to save energy.

3.1.13 The March 2014 consultation on ECO suggested that the best way to achieve this could be to rebalance the CERO and CSCO sub-obligations. However, as set out in the Government Response, we do not yet feel confident in putting forward a specific degree of rebalancing between the sub-obligations without better delivery evidence to support the calculation. We will, however, actively monitor delivery evidence with a view to developing possible options for the future.

3.1.14 We are also improving the use of Government data to help energy suppliers meet their ECO obligations more easily. This will also have benefits for customers, with a smoother path to securing support through Affordable Warmth. This is discussed in more detail in the Improving Delivery section below.

⁹ www.gov.uk/government/consultations/the-future-of-the-energy-company-obligation

The Green Deal

3.1.15 Alongside ECO, the Green Deal helps households to make energy-saving improvements and to find the best way to pay for them. Through the £88m Green Deal Communities programme, we are working through 24 local authority-led, street-by-street projects to assist households in installing Green Deal measures. We will be working closely with these local authorities to understand and learn from the impact of their projects, including how they affected fuel poor households and helped support the development of local supply chains (see also Private Rented Sector discussion below).

3.1.16 We have introduced the Green Deal Home Improvement Fund (GDHIF), a new incentive scheme open to all householders in England and Wales – including those in fuel poverty – who want to improve the energy efficiency of their homes. Up to £120m will be available until March 2015 as part of the overall £540m package of funding for energy efficiency over three years announced in the Autumn Statement in December 2013. Over £30 million in vouchers were issued in the first month since GDHIF launched, suggesting significant demand for help to make homes more energy efficient.

For the longer term: the future of energy efficiency

3.1.17 The process of improving and refining energy efficiency policy can be expected to continue in the long-term.

3.1.18 As part of this we will continue to assess which households receive which measures across policies such as ECO to understand how fairly these measures are provided to households on different incomes.

3.1.19 The continuing development of the Green Deal is an important part of this overall picture because it is a way of bringing private finance in to support energy efficiency. The more private finance can be made available, the stronger the case for as much subsidy as possible to be directed to those least able to afford to pay for their own improvements.

3.1.20 Another important objective is to increase the transparency of cost information where policies are paid for by energy consumers. This information will enable us to balance overall costs with activity levels. From a fuel poverty perspective, it also makes sense to use cost information to consider the relative effectiveness of returning efficiency gains from policies such as ECO to consumers either as a reduction in bills or in the form of higher targets leading to more support overall. Whichever outcome is best, we believe that the on-going acceptability of this kind of policy as a means of promoting energy efficiency depends in part on how benefits are shared between the people paying for the scheme.

3.1.21 We will also be considering other ways in which support for low income, high cost homes might evolve in future - for example, whether it would be possible to introduce extra safeguards for vulnerability, or incentives for delivery to vulnerable households. Changes of this kind would need to take cost impacts into account and how easy they would be to deliver, and would be subject to consultation at the appropriate time.

Support for those without mains gas

3.1.22 Low-income households who do not use gas as their main fuel – often referred to as being off-gas-grid – frequently face higher heating costs. This is because alternatives to mains gas, including electricity and heating oil, are usually more expensive. These may be homes that are located in an area without connection to the mains gas grid, or homes that are in gas grid areas, but are not connected for reasons such as safety (e.g. city high-rise flats). In this section we refer to these as ‘non-gas homes’.

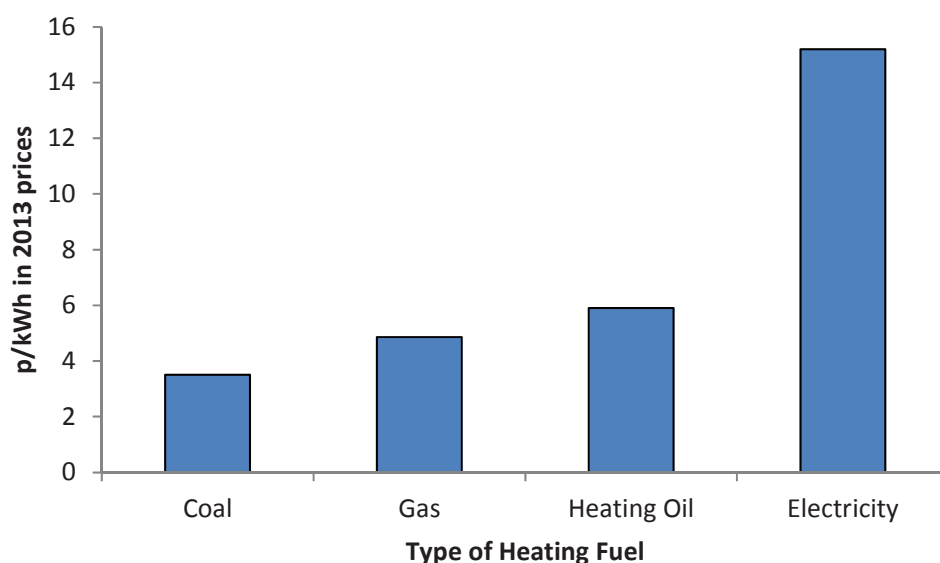


Chart 2: Domestic retail prices of main heating fuels in 2013¹⁰

3.1.23 Higher fuel costs alone are a cause for concern when considering the ability of those on low-incomes to keep warm in their homes. But understanding of fuel poverty risk factors afforded to us by the new indicator and the analysis supporting our target ambitions gives even more cause to take action.

3.1.24 Non-gas homes:

- Are over twice as likely to be fuel poor as households who use mains gas
- Are more likely to have a lower energy efficiency – around 43% of F and G homes are off the gas grid
- Have a higher average fuel poverty gap – over £800 in a fuel poor non-gas property, compared to £332 in a fuel poor home on mains gas

¹⁰ Gas and electricity prices for 2013 from the June 2014 edition of Quarterly Energy Prices (www.gov.uk/government/publications/quarterly-energy-prices-june-2014); Heating oil price from the 2013 Updated Emissions Projections (www.gov.uk/government/publications/updated-energy-and-emissions-projections-2013); Coal price from the DECC IAG (www.gov.uk/government/publications/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal).

3.1.25 The Government is determined to act to ensure that more non-gas households are able to improve their energy efficiency and cut their bills.

What we are doing now to support non-gas fuel poor homes

3.1.26 During his time as Energy Minister, the Rt Hon Michael Fallon MP, convened a roundtable group of industry and parliamentarians to examine issues faced by all those who are not on the gas grid. This group has been powerful in supporting and promoting support for industry initiatives to help non-gas consumers reduce their heating fuel costs or manage those fuel costs more easily over the year. The Buy Oil Early campaign encourages purchase of heating oil in the autumn when prices can be lower, thus helping prepare for the winter months when prices can rise due to high demand or bad weather. Also, Oil Buying Groups bring together individuals to place collective orders for heating oil throughout the year. This can result in heating oil costs being lower as fuel is ordered in larger volumes and delivery schedules are made more efficient.

3.1.27 The group also endorses sharing of good practice across the energy supply sector and development of an industry code of practice and customer charter. The domestic oil and liquid gas supply market is very different from the gas and electricity market regulated by Ofgem. There is no natural or structural monopoly in the domestic oil and liquid gas supply markets. A 2011 Office of Fair Trading (OFT) market study into Off-Grid Energy¹¹ showed that, on the whole, competition works well, with consumers offered a good choice of suppliers. It found that the sector did not need price regulation but did highlight concerns about customer experience with fuel suppliers. The OFT has taken action to prevent consumers being misled when searching online for heating oil supplies by securing changes to certain websites and contract terms.

3.1.28 Since the OFT study was published, FPS Limited, a trade association for the oil distribution industry and ancillary interests in the UK and the Republic of Ireland, has adopted a mandatory Code of Practice, as has UKLPG. The Government welcomes this action in support of vulnerable non-gas homes, and will continue to monitor developments in this sector.

3.1.29 Separately, Ofgem has extended the life of the Fuel Poor Gas Network Extension Scheme¹² in the new eight-year gas distribution price control period (RIIO GD1). Through this scheme Gas Distribution Network operators will seek to provide gas connections to up to 80,000 fuel poor households from 2013 to 2021.

3.1.30 Ofgem are preparing to review the scheme in 2014 and is working with DECC to reflect preparations for the new fuel poverty strategy within the scheme. There will be a focus on the eligibility criteria and ensuring that appropriate support is targeted at those non-gas households who are most in need. This will also include taking into account the costs of the scheme, the impact on consumer bills and its role within the context of wider energy and heat policy. In addition, DECC is keen to learn more about how this scheme operates alongside programmes designed to fund the installation or upgrade of gas central heating systems. We will seek views from industry through the Fuel Poverty Advisory Group (FPAG) and the ECO supply chain.

¹¹ <http://webarchive.nationalarchives.gov.uk/20140402142426/http://www.oft.gov.uk/OFTwork/markets-work/off-grid/>

¹² Also known as the Assisted Gas Connection Scheme.

3.1.31 Finally, in the context of existing support for non-gas homes, it is worth reiterating that we have designed the Warm Home Discount scheme to ensure it is available to eligible non-gas homes by requiring energy suppliers to pay the discounts through electricity bills.

New action to support non gas homes

3.1.32 In addition to our decisions – outlined above – for incentivising more delivery of ECO measures to non-gas homes we have placed a priority on investing in our evidence base. In the coming months DECC will work with partners to undertake mapping of the existing gas grid, and will publish further information before the end of the year. We intend to use this to improve understanding of the relationship between fuel poverty in non-gas households and the location of the existing gas grid. This will help to inform our own thinking and that of our delivery partners and highlight opportunities for community based interventions to deliver energy efficiency measures, heat networks and, where appropriate, extensions of the gas grid. There is further discussion of this activity in Section 3.4 below.

3.1.33 The Fuel Poverty Advisory Group (FPAG) has made delivering change for non-gas fuel poor households a key focus of its on-going work. An industry working group has been established involving suppliers, network companies and consumer groups, to take forward a two-year programme of activity. Key priorities for 2014 are:

- Exploring the challenges and barriers to delivery of energy efficiency and heating measures to non-gas fuel poor households
- Analysing how improvements in gas grid data can be exploited to improve delivery
- Sharing best practice on delivery mechanisms and technological solutions for non-gas homes among those involved in extending the gas grid and delivering alternative heating solutions

3.1.34 Bringing together partners in this way offers the opportunity to share learning and experience of major policy delivery and time-limited support programmes such as that discussed in box below can provide insight into what works well and where there could be improvements in future. This valuable advice and expertise will guide our strategic approach to assisting low-income households living in non-gas homes.

3.1.35 We will report on progress made by the Ministerial Roundtable and the FPAG Industry Working Group on Off-Gas Grid in the fuel poverty strategy. We will also work closely with the local authorities who have received funding under the Green Deal Communities programme to monitor the most effective methods of engaging non-gas homes, particularly those delivering to rural and private rental homes.

CASE STUDY: Rural Energy Champions – NEA / Calor core project

The Calor Off-gas Rural Energy Champions Programme (CORE) aimed to address rural fuel poverty by engaging frontline professionals and parish councillors to promote energy efficiency advice and support in three areas in 2011-2013. This was part of the wider Calor FREE programme¹³. The CORE project was delivered in three areas where there was already activity under the FREE programme and where mapping showed a high incidence of rural fuel poverty:

- North West – Workington, Preston and Swaledale (on the Cumbria border)
- West Midlands – Shropshire
- Yorkshire and the Humber – East Riding of Yorkshire

Working on behalf of Calor, NEA recruited 47 off-gas energy champions from a variety of agencies. Champions received training to understand their role, triggers for rural fuel poverty and sources of available support and assistance. A resource pack containing easy-to-follow “Top Tips” information to share with households to promote key energy efficiency messages and aid service signposting was provided. Champions received on-going low-level mentoring support by telephone, email and face-to-face catch-up sessions. The support helped champions to define opportunities to integrate ‘championing’ alongside their day-to-day roles, to discuss referral and service issues and to seek technical advice from NEA in response to householder queries. Catch-up meetings provided simple peer support and allowed champions to showcase local promotional activity.

Outcomes and evaluation:

Evaluation showed the CORE programme to be an effective delivery model which frontline professionals could mainstream within their own daily practice with minimum effort. Feedback from champions indicated a marked increase in their awareness of fuel poverty issues, solutions and services available to households as a result of the initiative.

There was no predominant household type or tenure requiring support although many contained someone living with a long-term illness or disability. A varied mix of basic energy advice and top tips was provided to households but no one issue predominated – issues variously covered energy efficiency advice (including behavioural advice), income maximisation, fuel switching, fuel debt advice, insulation and heating improvements and control and services for those with key needs (including utility Priority Service Registers).

Evaluation feedback from energy champions indicated that many households had acted or were planning to act on the advice given. More than 8,000 copies of the *Top Tips* signposting guide were also distributed by champions through direct contact, events and local circulars which provided a broader than anticipated reach for CORE.

¹³ www.calor.co.uk/about-us/sustainability/free

New action to explore ways to support park home residents

3.1.36 The number of park homes in Great Britain is estimated to be around 71,000. The nature of their building fabric and energy supply raises issues for policy delivery. We know that park homes are an example of a hard-to-treat property in the context of energy efficiency; suitable insulation solutions tend to be high cost, and some have lifetimes that are longer than the expected lifetime of the properties themselves. As such, though park homes are eligible for support under ECO, the high costs of treatment is likely to lead to relatively little action. It is also the case that policies reliant on customers having their own electricity meter – such as Green Deal (at least in relation to Green Deal Finance) and Warm Home Discount – cannot be accessed by some park home residents. While we have previously provided funding for some park home improvements, for example through the Local Authority Fuel Poverty Competition 2012/13, the reach of that support and therefore the improvements delivered has been limited.

CASE STUDY: Park homes insulation schemes

Park home residents often face difficulty getting access to support to improve the energy efficiency of their homes due to the costs and technical challenges involved. Two schemes in the south west of England have demonstrated what can be achieved with the right support.

Teignbridge District Council and Community Energy Plus, working with Cornwall Council, have both helped park home residents to improve their homes.

Cornwall Council's scheme focused on low income and vulnerable park home residents and used a range of means-tested benefits to identify those most in need of assistance. Their £500,000 project set out to help residents of up to 60 park homes in Cornwall to enjoy warmer and healthier homes with reduced heating bills. To cover the cost of the measures, residents were initially offered grants of up to £5,000 to cover 50% of the costs and interest free loans to cover the remainder. As the scheme progressed a savings threshold was also used to identify households in need of extra assistance. Teignbridge Council also focused assistance on low-income and vulnerable households aged over 70 or in receipt of a low income or disability related benefit.

Insulation measures

Eligible households were offered range of measures - including external wall insulation, under-floor insulation, and replacement windows and doors - as appropriate for each property type and situation.

Impact of schemes

Post-installation surveys highlighted the effectiveness of external wall insulation in helping residents maintain a suitable temperature within their home. In Cornwall, over 60% of residents reported that after the insulation work was completed they were 'always' able to keep warm and all residents reported actual or expected improvements in their home's comfort levels. Many residents also considered that their health and well-being had improved. In Teignbridge, over 70% of residents reported a drop in their fuel consumption as a result of the

CASE STUDY: Park homes insulation schemes

measures installed.

Residents have given feedback on a range of positive impacts.

3.1.37 We have looked at evidence to support the case for adjustments to policy to ensure greater likelihood of support for those living in park homes. However, on the basis of what we currently know about park homes and their occupants, it is difficult to assess the best way to direct policy towards them, or how far to prioritise these homes for action given the high costs of increasing efficiency in hard to treat properties. Alongside this consultation we have published a call for evidence designed to build on existing studies.

3.1.38 Through this call for evidence we will:

- Examine the nature of park homes and their energy requirements, as well as the costs and benefits of improvements
- Look at the ways residents pay for their energy and how they engage in the energy market
- Look at the income levels of residents so that we can judge how likely it is that they are fuel poor

3.1.39 We are also keen to understand more about the experience of living in a park home and managing energy requirements – particularly in the winter months. Gathering the required evidence is an important commitment, and will inform future action.

Consultation Question

3

Do you have evidence or views that will be of use in shaping our proposed research into park homes in 2014? You may prefer to respond to this question through the broader call for evidence published separately.

For the longer term: aligning action on fuel poverty with the heat strategy

3.1.40 Over the next decade, we can expect to see an increasing shift from conventional, domestic heating – mostly individual boilers fuelled by gas, oil or LPG – towards wider deployment of renewable heating technologies and low carbon communal heating solutions delivered through heat networks. Such change will be essential if we are to meet climate change and energy security objectives.

3.1.41 DECC is supporting these technologies in a range of ways including through the establishment last year of the Heat Networks Delivery Unit, and the recently launched domestic Renewable Heat Incentive (RHI).

3.1.42 Our analysis suggests that renewable heating technologies might provide a cost effective solution for improving the energy efficiency of some of the coldest low-income homes.

3.1.43 DECC is working with industry and delivery partners to support the development of the renewable heat market, to understand how best to exploit all of its potential and to overcome delivery challenges on the path to more widespread deployment. The role that renewable heat can play in alleviating fuel poverty is also part of this consideration.

3.1.44 We are learning from the Renewable Heat Premium Payment scheme (RHPP) about the ability for renewable heat technologies to offer real world bill savings. We have also gathered evidence on how such savings are led by the way the systems are understood and used. These are important factors when considering deployment of any heating technology to low income and vulnerable households, in both the short and long-term.

3.1.45 Early evaluation is encouraging, showing there could be significant potential for bill reduction benefits for householders. At the end of 2013 we published an analysis of questionnaires answered by over 3,500 private households who claimed a voucher in the first phase of the RHPP scheme. The report contains positive messages about domestic customers' experience of renewable heating technologies. Customers' satisfaction with their renewable heating technologies was high across all technologies, with over 90% satisfied. The rising price of fossil fuels and a desire to help the environment was stated as a key motivation for installing a renewable heating technology by 79% and 78% of householders respectively. This was closely followed by a wish to save money in the case of 72% of households.¹⁴

3.1.46 149 social landlords applied to take part in the RHPP scheme over the three various phases. Research with social landlords and tenants who took part in the second phase of the RHPP scheme is underway as part of the RHPP2 Evaluation.

3.1.47 We need to assess this type of data over the long term and understand more about the specific characteristics and behaviours of the low income households who receive support. This in turn will inform the promotion of renewable heating, particularly to low income and vulnerable households - for example, around the best routes to influence consumer education and affect behaviour change.

3.1.48 The challenge that low-income households face in terms of meeting the upfront cost of renewable heating technologies is well known. The structure of the RHI acts to repay the cost of the initial capital investment over time and therefore is less suitable to support households who cannot make the upfront payment.

3.1.49 It is therefore important to explore other ways to ensure that those on low incomes living in the coldest homes might be able to benefit from renewable heating technologies. This includes, for example, exploring the role of third party investors and

¹⁴ www.gov.uk/government/publications/analysis-of-customer-data-from-phase-one-of-the-renewable-heat-premium-payments-rhpp-scheme

the potential for similar ownership schemes as have been seen under the Feed-in Tariff model, where both investors and households benefit.

3.1.50 We are taking a similar approach in considering the role of heat networks. The current priority for action is analysis to understand the potential here. We want to develop a methodology for considering the relative cost-effectiveness of heat networks in meeting the fuel poverty target. We need to know where heat networks fit alongside other interventions.

3.1.51 Many of the wider issues around renewable heat are equally applicable for heat networks, with consumer acceptability and upfront capital financing being important considerations. Again the focus of our activity in the short term will be improving understanding of the potential for heat networks to cut bills and increase comfort in low income homes.

3.1.52 Many fuel poor households that become part of a heat network will do so as beneficiaries of Local Authority-led projects, which often have specific fuel poverty objectives. DECC has made money available to support and assist Local Authorities in all stages of heat network project development, from heat mapping, energy master planning and feasibility studies to detailed project development. A total of 11 of the 26 successful local authorities awarded grant funding in the initial Heat Network Delivery Unit (HNDU) funding round identified fuel poverty as a key driver for the exploration of heat networks in their areas. We will continue to work with local authorities to assess the outcomes of these projects and better understand the potential for heat networks to reduce fuel poverty.

Consultation Question

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|---|--|
| 4 | How can the fuel poverty strategy best support non-gas fuel poor households, particularly as we move to decarbonise heating? Please consider both short and long term action, and include evidence where possible. |
|---|--|

Building Standards

3.1.53 The Government is committed to delivering zero-carbon new homes from 2016 onwards. The energy efficiency of new homes has been strengthened by over 30% under this Government. Most recently, changes made to the Building Regulations in 2013 will see the annual energy costs of new homes fall by over £200. Even greater savings will be realised as the Government moves towards zero-carbon homes. New homes schemes, and in particularly the delivery of new affordable housing, therefore remain an important part of the Government's strategy to reduce fuel poverty.

Minimum standards for the private rented sector

3.1.54 The Government has taken powers to require minimum energy efficiency standards in the private rented sector. Ahead of any such regulations coming into effect, **we will be working with those local authorities who were successful in securing Green Deal Communities funding to understand the impacts of different incentives**

types and different approaches on the PRS sector and how best to engage landlords and tenants on this issue.

3.1.55 These types of scheme will help to inform how any future work undertaken by Local Authorities and Government (and any future funding) might be used to **drive activity in the rental sector and prepare for the introduction of the minimum standards ahead of time**. This approach will demonstrate the benefits to landlords of acting promptly to raise standards, and will also encourage the development of the supply chain needed to ensure the standards set in the regulations are met.

3.1.56 These standards include the Housing Health and Safety Rating System (HHSRS). There are 29 hazards listed under HHSRS, with the main one of relevance to fuel poverty being “excess cold”. This is one of the most common Category 1 hazards.

3.1.57 Energy efficiency standards in the PRS are only one tool we are using to improve life for private tenants. In June 2014, the Department for Communities and Local Government published ‘How to Rent; a checklist for private renting in England’,¹⁵ which helps tenants understand what they can legally expect from landlords when renting and empower them to ask for improvements. Of particular importance to people living in cold private rented accommodation, DCLG published a discussion document earlier this year which invited views on what more can be done to improve property conditions in the private rented sector and tackle rogue landlords. Responses are now being considered.

The role for innovation

3.1.58 Investing in innovation is vital to exploit the potential of emerging technologies to reduce energy bills. Initiatives relevant to this include the Energy Technologies Institute’s £100m Smart Systems and Heat Programme and the Government-funded BRE Solid Wall Insulation Research Project. Furthermore the Technology Strategy Board and Research Councils UK Energy Programme are investing up to £4m in collaborative research and development project to stimulate innovation in energy management for existing buildings.

3.1.59 DECC is undertaking a “Smarter Heating Controls Research Programme”¹⁶ to understand the potential for new heating controls to reduce energy consumption. During the first stage of this programme, we commissioned a range of research to understand what people want from their heating controls; test the usability of existing controls; and review evidence on the extent to which they improve energy efficiency.

3.1.60 We are interested in understanding what benefits they could bring to different groups, including people at risk of fuel poverty. The next stage will involve working with the Energy Technology Institute (ETI) to develop the evidence further as well as looking into the possible links smarter heating controls could have with smart meters. Learning about the potential for smarter heating controls to help people at risk of fuel poverty to

¹⁵ www.gov.uk/government/publications/how-to-rent

¹⁶ www.gov.uk/government/policies/helping-households-to-cut-their-energy-bills/supporting-pages/smarter-heating-controls-research-programme

reduce their energy bills and better manage their heating are priorities for the programme.

Consultation Question	
5	Do you have views or evidence that will be of use in shaping our research on the potential for improved controls to help fuel poor groups manage their heating?

The wider benefits of warmer homes

3.1.61 Tackling the issues at the core of fuel poverty that lead to people under-heating their homes can have significant health and wider societal benefits. In particular, it can help reduce avoidable mortality as well as potentially reduce the pressure on both health and social care budgets.

Warm homes, healthy people – understanding and addressing health vulnerability

3.1.62 The health impacts of living in cold homes are increasingly well understood. Professor Sir John Hills underlined this link in his Review, concluding that each year more people die as a consequence of living in a cold home than are killed on the roads.¹⁷

3.1.63 These impacts are particularly felt by already vulnerable groups such as the very young, the very old and those with disabilities and pre-existing health conditions. A concern for those who are especially vulnerable to living in cold homes is already reflected in the eligibility criteria for fuel poverty policies. However we know that we need to go further, not just in our understanding of how people are affected by living in cold homes, but also how we reflect this in our policies.

What do we know about the health impacts of living in cold homes?

3.1.64 There is strong evidence that the physical health of certain groups of people is more likely to be impacted by living in a cold home, particularly those under 5, over 75 and with pre-existing health conditions. And there is a growing body of evidence on the mental health impacts and wider social issues linked to fuel poverty.

- **Cold-related mortality:** There were an estimated 31,100 excess winter deaths¹⁸ in England and Wales in 2012/13. While it is clear that

¹⁷

<http://webarchive.nationalarchives.gov.uk/20121217150421/http://www.decc.gov.uk/assets/decc/11/funding-support/fuel-poverty/3226-fuel-poverty-review-interim-report.pdf>, page 10.

¹⁸The number of deaths that occur in a December to March winter period compared with the average number of deaths occurring in the preceding August to November and the following April to July.

temperature is the most significant single factor in influencing the number of excess winter deaths, it is hard to disentangle the relative importance of indoor and outdoor temperatures. However, analysis suggests that around a fifth of excess winter deaths can be attributed to living in cold homes.¹⁹ There is also evidence that countries with more energy efficient housing have lower rates of excess winter deaths.²⁰

- **Cold related illness:** Evidence shows that living in cold homes can result in poor physical health, including cardiovascular and respiratory problems, and exacerbates pre-existing long-term conditions. There is a smaller body of evidence to suggest that low indoor temperatures increase the risk of accidents in the home, particularly trips and falls.²¹
- **Mental health impacts:** There are also links between living at low temperatures and mental well-being in adults. Whilst the evidence here is less clear cut there are links to common mental health conditions, and the stress of living in a cold home can increase the risk of anxiety and depression.²²
- **Social impacts:** There is evidence that fuel poverty has wider social impacts, particularly around social isolation (itself a health risk).

What are we doing now to deliver better outcomes for people at risk from living in cold homes?

3.1.65 The links between health and fuel poverty are already widely recognised both at the national and local level. Fuel poverty is included as an indicator in the Public Health Outcomes Framework for England,²³ which sets out the Government's vision for public health, the outcomes we want to achieve, and the indicators that will help us understand how well we are improving and protecting health. The Cold Weather Plan for England²⁴ emphasises the importance of tackling fuel poverty to reduce excess winter illnesses and deaths. It sets out a series of clear actions to help minimise the health impact of winter weather on the elderly and vulnerable, including action to encourage the energy efficiency of homes.

3.1.66 At a local level, there are many examples of local authorities, social housing providers and others working jointly with local health providers to deliver schemes which tackle fuel poverty among those with health problems linked to living in cold homes, with

¹⁹ Wilkinson et al 2001: www.jrf.org.uk/publications/cold-comfort-social-and-environmental-determinants-excess-winter-deaths-england-1986-19

²⁰ Marmot Review Team, 2011, The Health Impacts of Cold Homes and Fuel Poverty: www.instituteofhealthequity.org/projects/the-health-impacts-of-cold-homes-and-fuel-poverty

²¹ Marmot Review Team, 2011, The Health Impacts of Cold Homes and Fuel Poverty: www.instituteofhealthequity.org/projects/the-health-impacts-of-cold-homes-and-fuel-poverty

²² www.natcen.ac.uk/our-research/research/health,-mental-health-and-housing-conditions-in-england/

²³ www.gov.uk/government/publications/healthy-lives-healthy-people-improving-outcomes-and-supporting-transparency

²⁴ Published by Public Health England, October 2013: www.gov.uk/government/publications/cold-weather-plan-for-england-2013

a particular focus on low-income households. The box below describes just a few of these innovative projects in more detail.

CASE STUDY: Working together to deliver joint health and fuel poverty outcomes

Healthy Homes on Prescription is a scheme set up in partnership with 55 GP surgeries and **Liverpool City Council**. The scheme uses a software alert system to identify patients whose ill-health may be caused or exacerbated by property defects such as damp and mould, inadequate heating, or a lack of insulation. GPs can then refer these patients, with their consent, to the Liverpool City Council Healthy Homes Programme and other partners, so they can get help and/or advice on a range of related issues. Healthy Homes also run clinics at Health Centres across the city. An evaluation carried out by BRE in 2011 of the first year of the programme estimated on-going NHS savings from the broader Liverpool Healthy Homes Programme of £440,000 (£4.4m over 10 years).

North-east social business, Gentoo Group, has begun an innovative 'Boiler on Prescription' pilot scheme, a project aimed at addressing the health impacts of fuel poverty. Working with a Clinical Commissioning Group (CCG) to fund the trial, patients suffering from illnesses exacerbated by living in a cold home were contacted after being recommended by their GP. The patients identified had their homes assessed by Gentoo who then recommended the appropriate energy efficiency improvements to the property. The team then monitor the patients' on-going health and potential savings generated to the NHS.

In the East Midlands, the **Nottinghamshire and Derbyshire Local Authorities' Energy Partnership** are preparing to launch a two year Derbyshire Public Health and Affordable Warmth Programme. This will target householders who are eligible for ECO Affordable Warmth, on low incomes and suffering from a health condition often linked to living in a cold home. The aim is to improve the energy efficiency of the properties identified, thereby reducing the fuel poverty gap and alleviating the health impacts of living in a cold home. Potentially eligible households will be invited to take part in the project through GP surgeries.

For the last three years, the **Seasonal Health Intervention Network (SHINE)** has been offering advice and support to Islington residents. Over 200 organisations refer clients into the team, who then make contact and assess them for almost 30 possible interventions to assist with health, energy efficiency, general housing quality, income, social isolation and more. The team also offers support for fuel debt, assisting residents with trust fund applications and negotiating payment plans with energy companies. Since it began, SHINE has received over 6,100 referrals, with over 2,800 referrals in 2013/14.

In **Oldham**, the CCG, the Local Authority and Oldham Housing Investment

CASE STUDY: Working together to deliver joint health and fuel poverty outcomes

Partnership co-invested £200,000 in the Oldham Warm Homes scheme, to bring people out of fuel poverty and improve their health. The scheme aimed to get 1,000 people out of fuel poverty in its first year, with the expectation of saving £300,000 a year, largely in reduced health costs due to cold related illnesses. The scheme offers a holistic approach to getting people out of fuel poverty through energy efficiency upgrades, behaviour change advice and energy switching, combined with income maximisation work, such as benefits checks and trust fund applications for fuel debt. The project met its first year's target and is continuing for a second year.

New action to support those at risk from living in cold homes

3.1.67 It is clear that further co-operation and more effective co-ordination between the health and energy efficiency sectors could help deliver even greater benefits.

3.1.68 Different initiatives can often have the same household in mind. For instance, those who are at risk of the more severe impacts of influenza are also those likely to be more negatively affected by living in a cold home. So those being targeted by the flu jab programme are also likely to benefit from advice on how to keep warm. This is reflected in advice Public Health England publishes to help people prepare for the winter in its Keep Warm, Keep Well leaflet.²⁵

3.1.69 But we can go much further than this.

3.1.70 Health and social care workers are in a unique position to identify and support those people living in cold homes. They see the effects of living in cold homes in GPs surgeries and in hospital admissions. And those making home visits experience living conditions first-hand.

3.1.71 Raising awareness amongst health workers so they can diagnose the problem is only a first step. We must also equip them with the means to provide the solution. To help achieve this, we have provided assistance to the UK Health Forum to produce a toolkit²⁶, which set out the links between fuel poverty and health and outlines the routes to get help.

3.1.72 The Department of Health has set out the Government's vision for the future of health services in the community – Transforming Primary Care.²⁷ This highlights the importance of GPs considering the needs of their patients in a holistic way, taking into account the broader social determinants of health, such as housing. The vision includes a particular focus on the oldest patients and those with the most complex health needs, who may be most at risk of the negative health impacts of living in cold homes.

²⁵ www.gov.uk/government/publications/keep-warm-keep-well-leaflet-gives-advice-on-staying-healthy-in-cold-weather

²⁶ www.healthyplaces.org.uk/themes/healthy-housing/fuel-poverty/

²⁷ www.gov.uk/government/publications/plans-to-improve-primary-care

3.1.73 We have also been interested to see work carried out by the National Institute for Health and Care Excellence (NICE), including their consultation on guidelines on how to reduce the risk of death and ill health associated with living in a cold home.²⁸

3.1.74 We will build on the work already in train, emphasising the importance of GPs signposting people with cold-related illnesses to sources of appropriate support. This could include a referral to the Energy Saving Advice Service helpline, to ascertain whether a patient is eligible for measures under ECO Affordable Warmth, or other energy efficiency policies. It could also include joining up with local service provision, following the example of existing, successful local initiatives.

New action to develop the evidence base on links between poor health and cold homes, and the benefits to health services of tackling fuel poverty

3.1.75 Research to investigate further the links between fuel poverty and excess winter deaths will help to inform further collaboration across the energy and health sectors. The existing evidence base strongly demonstrates the link between low temperatures (indoor and outdoor) and excess winter deaths. We are keen to better understand the direct relationship between fuel poverty and excess winter deaths so we are assessing the extent to which work already being undertaken will help us do this, and will consider the need for further research.

3.1.76 We have developed a health impacts model, **Health Impacts of Domestic Energy Efficiency Measures** (HIDEEM), which allows us to analyse the monetary value of the health benefits associated with energy efficiency interventions²⁹. The model provides outputs in terms of Quality Adjusted Life Years (QALYs) which place a monetary value on the change in a person's health. We want to build on this, and will be commissioning new work shortly to develop the HIDEEM model further. Our aims are to develop a more sophisticated understanding of the health benefits for different groups, and to develop an accurate assessment of the monetary savings to health services from action to tackle fuel poverty, deepening our understanding of how improvements in energy efficiency affect the demand for, and cost, of health services provision. Several local projects have already shown that savings can be made, such as avoided costs through reductions in visits to GPs and hospital admissions. In improving our understanding of the potential savings, we hope that we can make even clearer the case for investment in energy efficiency resulting in health benefits, and use this evidence to inform how best to design our policies to achieve the maximum health improvements.

Consultation Question	
6	What existing evidence should we consider in analysing the impacts of energy efficiency measures on health and/or social care service costs?

²⁸ www.nice.org.uk/News/Press-and-Media/new-draft-guidance-to-help-prevent-people-becoming-ill-or-dying-in-the-winter

²⁹ For more details see section 6 of Fuel Poverty: a framework for future action - Analytical Annex: <https://www.gov.uk/government/publications/fuel-poverty-a-framework-for-future-action>

For the longer term: supporting future joint working on health and fuel poverty

3.1.77 There is scope for further joint working at national and local levels, building on the experience of what has already taken place. The new health landscape provides a real opportunity to ensure that health and fuel poverty action is better integrated, delivering against multiple objectives. In particular we want to ensure that local decision makers understand the benefits of energy efficiency interventions and the potential cost savings for health and social care services. As well as building the evidence base further, we are promoting a joined-up approach in several ways:

- We want to continue raising awareness among health care professionals. We are working with the Royal College of General Physicians and the National Association of Primary Care to do this.
- We want to identify and help remove the barriers to joining up action on health and energy efficiency. In particular, we will be looking at what can be learnt from local projects aiming to mitigate the health impacts of living in a cold home. This will enable us to understand better the barriers faced by such projects, and those projects' real world impacts, including the savings to local health and social care services. This information will help inform wider policy development, and support the design and evaluation of similar projects in the future.
- We will also explore the potential for building health into the eligibility criteria for fuel poverty interventions, enabling 'mandated' health referrals (for example from GPs, nurses or other frontline health workers). This would enable us to better target help at those who are most at risk of the impacts of living in cold homes.

Consultation Questions	
7	How can we best support interventions to enable fuel poor people with existing health problems, or at risk of health problems, to benefit from energy efficiency measures? We would particularly welcome evidence on barriers you have encountered or examples of best practice.
8	Do you think development of a system of 'mandated' health referrals – linked to eligibility for fuel poverty interventions – is feasible? Considering issues such as scope, verification or benefit to recipients, how might it work?

Social mobility

3.1.78 There are around 950,000 low-income families³⁰ in England that are living in homes which are energy inefficient and costly to heat. These families live in some of

³⁰ Families are defined as households with a person under 16.

the least energy efficient homes, and these homes are more likely to be cold and damp³¹.

3.1.79 Children living in cold homes are more likely to suffer a range of negative physical and mental health outcomes. For example, there is evidence linking cold homes and respiratory problems in young people³². Living in a cold home can also place a child's education at risk. This is not only the consequence of mental or physical ill health³³; the coping mechanism commonly adopted by low-income households – heating a single room in the dwelling – can mean that young people are less likely to have a quiet place in the home in which to study.

3.1.80 Action to improve the efficiency of dwellings, and to support low-income families with fuel bills, is therefore important to enable young people growing up in fuel poverty to realise their full potential. For this reason, as set out in Section 2, we will monitor the number of fuel poor households with children as one of our key indicators.

WARMER HOMES – SUMMARY

NEW ACTION

- We are extending ECO out to 2017, retaining and improving support for the low-income and vulnerable
- We are improving our understanding of the location and characteristics of non-gas fuel poor households
- We are increasing the delivery of measures in non-gas homes under ECO Affordable Warmth
- We are working towards minimum standards for the private rented sector, with support for landlords who act early

FUTURE DIRECTION

- We will continue to explore and harness cost-effective opportunities to improve energy efficiency of fuel poor households
- We will use better ECO costs information to ensure the benefits of cost effective

³¹ Oreszczyn et al. (2006). Mould and winter relative indoor humidity in low income households in England. *Indoor and Built Environment*, 15 (2), 125-135.

³² Barnes, M. (2008), *'The dynamics of bad housing on the living standards of children'*. National Centre for Social Research. Strachan D (1991) *'Damp housing, mould allergy, and childhood asthma'*. Proceedings of the Royal College of Physicians in Edinburgh.

³³ HM Government (2013), *'An evidence review of the drivers of child poverty for families in poverty now and for poor children growing up to be poor adults'*. Smith (2008), cited in Suhrcke M., de Paz Nieves C. (2011), *'The impact of health and health behaviours on educational outcomes in high income countries: a review of the evidence'*. Copenhagen, WHO Regional Office for Europe. Suhrcke M., de Paz Nieves C. (2011), *'The impact of health and health behaviour'*. Banks et al (2011) and Case et al (2005), cited in HM Government, *'An evidence review'*.

WARMER HOMES – SUMMARY

delivery are shared with consumers

- We are aligning action on fuel poverty with the heat strategy, particularly in relation to the deployment of renewable heat and heat networks
- We will work with Department of Health and Public Health England to combat the negative health impacts of living in a cold home
- We will further improve the evidence base on fuel poverty and health, sharing good practice, understanding the benefits, engaging and supporting health professionals
- We will take steps to integrate energy efficiency delivery into long-term health planning

3.2 Supporting people

Tackling key drivers of fuel poverty through direct help with energy bills and action to increase income

3.2.1 Of course, tackling fuel poverty is not just about improving the homes people live in: it is also about improving the lives of the people themselves. In our view, tackling the causes and impacts of fuel poverty requires a ‘whole person’ approach that draws together efforts to improve energy efficiency of homes with broader support for people to manage their energy costs and alleviate the wider health and social impacts that are associated with living in a cold home.

What we are doing now to support people directly with their energy bills

3.2.2 While the action we have taken on tariffs through the Energy Act 2013 will help to lower energy costs for many of the fuel poor, we know that some people need additional support to heat their home. For this reason, the Government has a number of policies in place, including the Warm Home Discount, Cold Weather Payments and Winter Fuel Payments.

3.2.3 The **Warm Home Discount** provides direct help with energy costs to low income vulnerable households on a mass scale. It has just entered its fourth year and has helped around 2 million households each year since it began in 2011. In the coming winter, over 2 million households will receive £140 off their electricity bills; total spending on the scheme will reach more than £1.1bn.

3.2.4 The largest part of the scheme requires certain energy suppliers to provide direct electricity bill rebates to the poorest pensioners. While six energy suppliers were involved in the scheme in its first year, that number has now risen to nine suppliers. This underlines the effectiveness of our wider policies on opening up the energy market.

3.2.5 As a result of data matching between DWP and energy suppliers the majority of people receive Warm Home Discount rebates automatically. Last winter 1.16m poor pensioners received £135 off their bills without having to take any action. This method of delivery improves the targeting of the policy, provides an excellent customer journey, and is very low cost.

3.2.6 This Government has already committed to run the scheme in 2015-16, when the scheme will be worth £320m.

New action to improve support for people – monitoring the operation of the Warm Home Discount

3.2.7 The analysis that we presented in the strategic framework demonstrates there could be a role for direct support of this kind to continue. Unlike many energy efficiency measures that are more constrained on the supply side and more costly, direct support with bills can be deployed at scale and can be more cost-effective. The Government expects to decide on the future role of the Warm Home Discount after 2015/16 as part of the next Spending Review.

3.2.8 The terms of the Warm Home Discount are currently set out until the end of March 2015. We are keen to ensure that the scheme continues to effectively support the people that are most in need of help with managing their energy costs.

3.2.9 We know that some elements of the way the scheme has operated to date have been confusing for customers, or have made the scheme difficult to access. **We intend to consult on any need to change the rules in order to improve the scheme's operation later this year.**

3.2.10 We will also consider how delivery of the scheme requirements can be made more consistent between suppliers and, therefore, simpler to understand for consumers.

3.2.11 We continue to explore ways to make the most of the data held by energy companies and by Government to improve outcomes for citizens. We will return to the subject of data sharing in the next section.

For the long term – evolution of our approach to direct support and increasing incomes

3.2.12 The approach taken in delivering the Warm Home Discount might evolve as part of any future rebate policy. Given our new understanding of the fuel poverty problem and our updated analysis of households in the deepest fuel poverty, we could consider ways in which future policy could better help those people with the largest fuel poverty gaps. For example, we could consider whether and how we could direct assistance more towards low income families with children and people off the gas grid.

3.2.13 Expanding the system of data-sharing is another area to examine, given that this is one aspect of the existing Warm Home Discount that makes its delivery so successful. However this would likely require new legislation. It could also have impacts on the number of people assisted and the value of individual payments – issues that would need to be carefully considered.

3.2.14 The Government is making fundamental reforms to the welfare and pension systems to ensure that work and saving pay. This is notably through Universal Credit, which ensures that people are better off in work; the new State pension, which raises the contributory pension above the basic level of the means test; and automatic enrolment into workplace pensions, which boosts retirement income above the State pension. These reforms will have a direct impact on the number and composition of the fuel poor. We will need to reflect this shift in future fuel poverty policies and reviews of the fuel poverty strategy.

For the long term – supporting those most in need

3.2.15 The welfare and pension systems will continue to provide support to those most in need through Winter Fuel Payments and Cold Weather Payments, as well as currently assisting the Warm Home Discount through data-matching between benefit and energy companies' systems.

3.2.16 Winter Fuel Payments are a universal pensioner benefit based on age and residence, payable annually at between £100 and £300 (depending on

circumstances). They are intended to provide reassurance to older people that they can keep warm during the colder winter months because they know they will receive help with paying their bills. Most are paid automatically to people in receipt of certain benefits, although the payments can also be claimed in their own right, so entitlement does not rely on receipt of other benefits. The Government will make no changes to Winter Fuel Payments during this Parliament.

3.2.17 Cold Weather Payments rely on receipt of means-tested benefits. They are made to people of any age who are entitled to certain benefits (including Universal Credit and Pension Credit) and who are vulnerable to the cold. Payments are made when the local temperature is either recorded as, or forecast to be, an average of zero degrees centigrade or below over seven consecutive days. A payment of £25 is made for each seven day period of very cold weather between 1 November and 31 March each year.

3.2.18 The Warm Home Discount is currently available to the same groups as Cold Weather Payments (although with differing qualifying conditions), so in its current form it provides direct help with energy costs to low income vulnerable households identified via receipt of means-tested benefits.

3.2.19 For those below State pension age, receipt of Universal Credit allows targeting comparable to the benefits it replaces, and the increased work incentives mean that more people will be raised out of income poverty and reliance on benefit.

3.2.20 For those above State pension age, the State pension reforms mean that, from April 2016, the contributory pension for those in the lowest income groups will generally be higher, and the number of Pension Credit recipients will begin to decline. This is particularly true of the savings credit element, which will not be available to people receiving the new State pension because that pension itself ensures that private savings pay. Eligibility for Pension Credit for new pensioners will be halved by 2020, and fall to 5% by 2060. This significant reduction in means-testing is a major structural advantage of the new system, and has implications for the way we target support in the future.

Consultation Questions	
9	Do you have views on how best to align the Warm Home Discount with the Low Income High Cost indicator?
10	In considering the reduction in means-testing for pensioners brought about by the Government's pension reforms, do you have views on additional ways to target direct payments and bill support to the fuel poor?

SUPPORTING PEOPLE – SUMMARY

NEW ACTION

- We are seeking to simplify Warm Home Discount for consumers
- We are exploring how to better align Warm Home Discount to our new understanding of fuel poverty

FUTURE DIRECTION

- We will explore wider data sharing powers to further automate delivery of bill rebate schemes
- We will consider the merits of aligning bill rebate schemes with other Government schemes
- We will explore how changes to the welfare and pension systems boost incomes, and the effects of this on fuel poverty indicators
- We will explore how we can work with the new welfare and pension systems – and the data they generate – to provide better support
- We will monitor progress in the energy market and press for further innovation

3.3 Fairer energy markets

Ensuring that all our citizens can take action and benefit from a more open energy market

3.3.1 All other things being equal, as prices rise, fuel poverty gaps rise (the problem faced by households gets bigger) and some households become fuel poor for the first time. While the evidence shows that improving the energy efficiency of homes is the most significant factor in addressing this, helping everyone to pay the lowest possible price for their energy is also important. This holds especially for those on the lowest incomes whose energy spending represents a very high proportion of their total spending.

3.3.2 We have made huge strides in ensuring the market operates well for consumers. For example, as of June 2014 there are 19 independent suppliers in the domestic market³⁴. Nonetheless, we are not complacent and are continuing to work to ensure that the market is as competitive as possible.

3.3.3 On 23 October 2013, the Prime Minister announced that Ofgem in conjunction with the Office of Fair Trading (OFT) and the Competition and Markets Authority (CMA) would undertake a competition test for the energy market. Ofgem and the competition authorities published the assessment outcome on 27 March 2014³⁵. After a full consultation Ofgem has made a formal Market Investigation Reference (MIR) of the market for the supply and acquisition of electricity and gas to the Competition Markets Authority (CMA). Having the independent competition authorities conducting this work provides companies and investors with the confidence that this process will be evidence-based, fair and just, and free from political interference. It allows everyone, including the energy companies and consumer groups, to make their case and have their say in an unbiased forum.

3.3.4 This is one of the reasons why the Government has been especially active in recent years in addressing competition in the market place. In particular, we have been working closely with Ofgem whose Retail Market Review is making the market simpler, clearer and fairer. This helps ensure consumers are treated fairly and are better able to choose the best deal that suits them.

What we are doing now – better access to energy markets

3.3.5 Switching suppliers can give householders significant bill savings. Through Cheaper Energy Together,³⁶ we have supported the development of innovative collective switching schemes for energy, where consumers group together to negotiate a better deal with their gas and electricity supplier.

3.3.6 Evidence from the Cheaper Energy Together scheme has confirmed that **collective switching programmes can support households who are vulnerable or who usually shy away engaging with the energy market, including those in or vulnerable to fuel poverty**. Chart 3 below demonstrates this by showing the percentage of households who registered and/or switched according to particular characteristics. These characteristics can be risk factors for fuel poverty, or indicate vulnerability.

3.3.7 The evaluation shows that the schemes were successful in engaging with consumers, encouraging them to find out whether they could get a cheaper deal on their energy bill and

³⁴ DECC figures, does not include domestic white label suppliers

³⁵ www.ofgem.gov.uk/electricity/retail-market/market-review-and-reform/state-competition-energy-market-assessment

³⁶ www.gov.uk/government/uploads/system/uploads/attachment_data/file/253862/Helping_Customers_Switch_Collective_Switching_and_Beyond_final_2_.pdf

saving customers money. It found that they have delivered savings of over £2.7m to consumers, a result of over 21,000 households switching energy supplier and making an average saving of £131. Since then, further collective switches in November 2013 and February 2014 have resulted in additional savings of around £2.6 million and almost 14,000 consumers switching.

3.3.8 Our findings show that the involvement of local trusted organisations prompted people to sign up who haven't switched before and that consumers liked the support that was offered to them throughout the process.

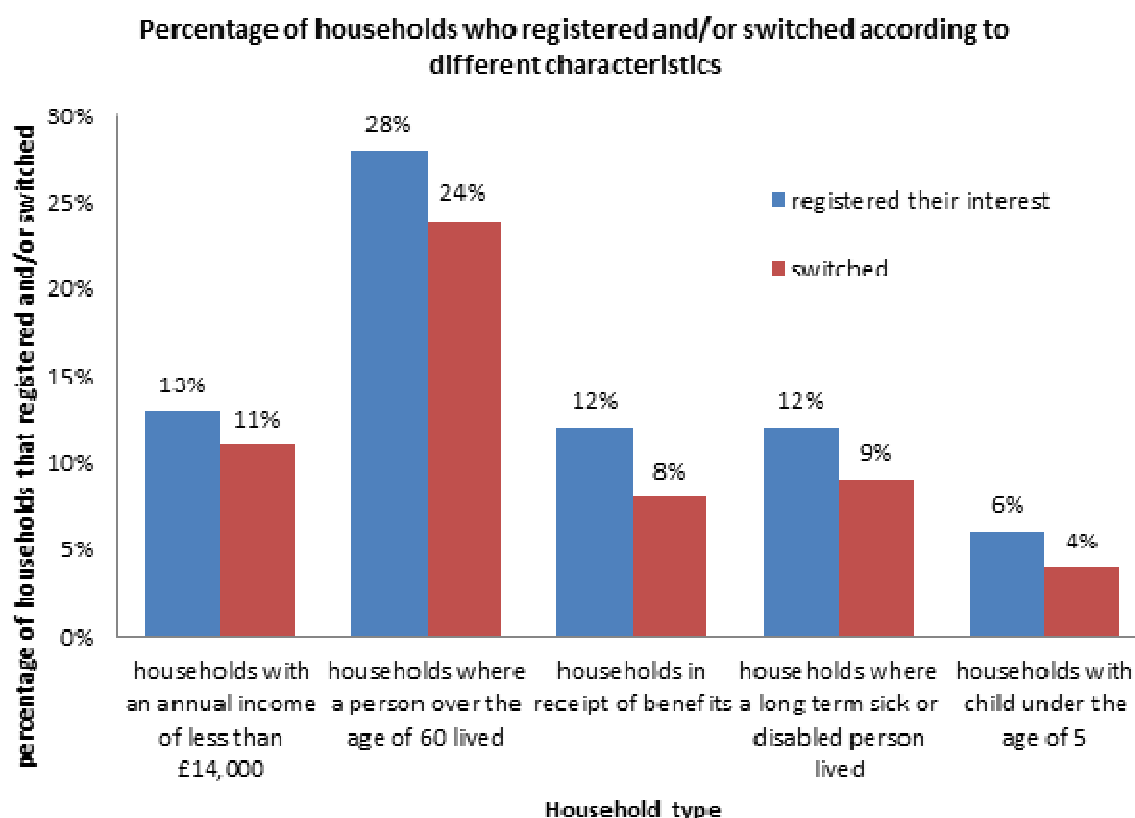


Chart 3: Percentage of households who registered and/or switched according to different characteristics

New action to help consumers switch to a better deal

3.3.9 We have already committed to work to improve the switching process and have challenged the industry to work with us to move to much faster switching. **Switching times will be halved by the end of this year.**³⁷

3.3.10 In spring 2014 we ran a consultation outlining proposals to require energy suppliers to publish consumers' key energy data on all bills and statements in a machine readable format.³⁸

³⁷ www.gov.uk/government/news/energy-switching-times-to-halve-by-end-of-year

³⁸ www.gov.uk/government/news/qc-codes-on-energy-bills-put-consumers-in-control

This will allow the development of applications that offer consumers a new and easy way of finding the best deal by carrying out an instant cross market comparison.

3.3.11 These policies will help consumers identify a better tariff and switch quickly to get the benefits of their cheaper deal. We expect to have legislation in place in autumn 2014, with a view to seeing Quick Response (QR) codes (barcodes containing data such as the current tariff name and consumption that can be scanned by a consumer's smartphone) on bills as soon as possible thereafter.

3.3.12 Faster switching will remain an important development area – our ambition is to see 24-hour switching. Ofgem are consulting on how best to achieve this.³⁹

New action to understand the impact of different payment methods

Prepayment meters

3.3.13 We know that issues relating to prepayment meters (PPM) remain of broad concern for consumers. That is why we are conducting further work in relation to self-disconnection. Self-disconnection means not topping up the electricity or gas meter so that the supply of electricity or gas into a home stops. We know that many customers like to use PPM to enable careful budgeting. But it is harder for households to spread the cost of energy across the year and the winter, in particular, can put real pressure on household budgets. This can lead to cold homes and poor health, especially for the vulnerable.

3.3.14 We recognise that practices in relation to consumers self-disconnecting vary from supplier to supplier. DECC will be working with suppliers to understand better what drives these practices and to ensure that vulnerable prepayment consumers are being treated fairly and receiving appropriate support.

3.3.15 We also know that prepayment customers pay more for their energy than those paying by direct debit – the price differential can be more than £100 for a dual-fuel customer. In the past, customers using PPM also paid more for their energy than customers paying by standard credit, but this differential has now effectively disappeared.

3.3.16 Suppliers incur different costs for the payment methods they provide. By law, any difference in prices between different payment methods must be reflective of these costs. As part of its role to monitor compliance with this requirement, Ofgem recently assessed the extent to which price differences did reflect the costs incurred. Ofgem found no evidence that suppliers are unjustifiably adding costs to the bills of prepayment customers. Its work also suggested that some of the costs of serving these customers are, in fact, spread across other payment methods. This reduces price differences for customers using PPMs compared to those paying by direct debit.

3.3.17 While Ofgem found suppliers are operating within the rules, it has urged suppliers to do more to explain price differences and provide reassurance that they are being set fairly. Ofgem's letter to suppliers can be found online.⁴⁰

³⁹ www.ofgem.gov.uk/publications-and-updates/moving-reliable-next-day-switching

⁴⁰ www.ofgem.gov.uk/ofgem-publications/87924/openletterfinalrepublished.pdf

Smart meters and prepayment meters

3.3.18 The Government expects that, from autumn 2015, all major energy suppliers will be ready to commence the full scale installation of smart meters, with the completion of rollout scheduled for 2020. All of the larger energy suppliers should be able to offer basic services to both credit and prepayment customers from the outset to help ensure that both types of customers benefit from smart metering in the early period of the roll-out. DECC is working closely with stakeholders, including Consumer Futures and the larger energy suppliers, to develop a prepay plan, which will set out the key steps to deliver smart prepay from autumn 2015.

3.3.19 In April 2014, the Secretary of State for Energy and Climate Change wrote to suppliers challenging them to ensure that from the end of 2016 current 'normal' PPMs are replaced only with smart meters and that they offer smart meters with 'pay as you go tariff' options to all prepayment customers by the end of 2016. We will continue to work with suppliers and stakeholders to ensure that customers using PPMs can benefit from smart meter roll out as soon as possible.

3.3.20 Ofgem are also doing work on prepayment in a smart metering world, to ensure that prepayment consumers remain protected and can gain the benefits offered by smart meters.

Energy bill debt

3.3.21 Energy bill debt is another area of concern, particularly for PPM users who are paying back a fixed amount of their debt before the money put into the meter can be used for their energy requirements.

3.3.22 Debt is an issue in a range of households, not only in fuel poor homes. Suppliers have a number of obligations in relation to debt:

- When a supplier is aware that a customer is having difficulties paying, they must offer a means by which payments are deducted from benefits, to pay by regular instalments or via PPM
- Suppliers must take reasonable steps to find out a customer's ability to pay and then take this into account when calculating repayment of debt
- Suppliers must not disconnect a supply for non-payment unless it has first taken all reasonable steps to help the consumer to repay the debt
- Suppliers must provide a friendly credit period for electricity PPM customers, where the electricity supply will not disconnect should a customer's credit run out during weekday evenings, weekends and on public holidays

3.3.23 Also, the Debt Assessment Protocol gives customers in debt greater choice and flexibility to switch to a better deal. It allows prepayment customers with a debt up to £500 to switch to another supplier. The customer remains on a PPM and the debt transfers with the supply.

3.3.24 The current industry initiatives element of the Warm Home Discount supports the provision of fuel debt advice and even funds some debt relief, worth around £15m in 2012-13.

3.3.25 Ofgem monitors and reviews debt repayments. The data show that weekly repayments have fallen on average in recent years, including for those using PPMs. The majority of indebted customers are on standard credit, not PPMs, and are able to repay through a variety

of different means, such as budgeting payment schemes. This suggests that repayment is in practice being tailored to individual requirements.

3.3.26 Suppliers also have a number of obligations as part of the standard licence conditions in relation to disconnections:

- Suppliers must not knowingly disconnect in winter (October to March) a supply at a domestic premises where the customer is of pensionable age (living alone, with another person of pensionable age, or with a person under the age of 18)
- Suppliers must avoid disconnecting in winter a supply at a domestic premises where the occupants include a person who is of pensionable age, has a disability or a chronic sickness, and to whom the above condition does not apply.

3.3.27 Disconnections by energy suppliers remain low. Half as many electricity disconnections and two thirds fewer gas disconnections were carried out in 2012 compared to 2011, although latest data for Q1 and Q3 2013 show an increase compared to the same period in 2012.⁴¹

3.3.28 We will continue to work with Ofgem and suppliers to improve indebtedness policies and processes. We also know that Ofgem is working with consumer advice organisations and energy suppliers to develop a consumer energy debt advice guide.

New action to continue support for vulnerable consumers through the Big Energy Saving Network

3.3.29 The Big Energy Saving Network was created in 2013, with £900,000 funding provided by DECC to establish a co-ordinated Network of voluntary organisations and community groups that provided trained advisers to support vulnerable consumers in engaging with the energy market. During the first year of the Network, DECC funded over 150 projects from more than 90 third sector organisations.

3.3.30 Each project delivered a personalised, targeted programme of advice to help bring down the energy costs of some of the UK's most vulnerable consumers, be that by switching to a better deal, managing fuel debt, or accessing support for which they are eligible such as Warm Home Discount or ECO Affordable Warmth. Network advisors also train front line workers such as social care and housing association staff to enable them to provide similar advice and support to the people they assist in the course of their day-to-day work.

3.3.31 We have now announced a further £1m of funding to support the Network into its second year, and the grant application window opened on 7 July.⁴²

3.3.32 DECC have appointed Sheffield Hallam University to conduct a full independent evaluation of the 2013/14 programme and they will provide their final report later this year. In the meantime we have been considering monitoring and evaluation feedback received from organisations, consumers and frontline workers involved with the programme last year. This suggests that the model for outreach delivery has been successful in helping over 85,000 consumers. The interim findings of the independent evaluation will be used to define the

⁴¹ www.ofgem.gov.uk/publications-and-updates/domestic-suppliers-social-obligations-report-quarters-1-january-march-and-2-april-june-2013

⁴² www.gov.uk/government/publications/big-energy-saving-network-grant-offer-fund

scheme's overall model so that it reaches an even higher number of consumers in autumn 2014.

CASE STUDY: Day in the life of a Big Energy Saving Network advisor

The Cornwall Rural Community Council has been active as part of the Big Energy Saving Network (BESN), supporting individuals to take action to save money by seeing if they can get onto a cheaper energy deal and take up energy efficiency offers.

To take just one example, Jane Morgan, a BESN Champion, provided advice and support to an older couple in Pendeen, a village not connected to the gas grid in west Cornwall. By supporting them throughout the process, Jane ensured that the couple saved money by switching their energy supplier, moving to a cheaper payment method, and switching to a fixed rate tariff. Jane was able to sit with them and explain the options available through the various comparison websites, and what they all meant. Based on this advice, they completed a switch resulting in an annual bill reduction of £243.

In St Breward, another rural off gas village on Bodmin Moor, Jane was able to assist a lady who had been recently widowed by calling her supplier and agreeing a reduction of her direct debit by £60 a month, with a further reduction made possible by switching to a fixed rate tariff.

More broadly, Jane has also provided advice on the availability of energy supplier Trust Funds which can, for example, provide support for the replacement of white goods. She has taken to the airwaves, talking to local radio to promote the project, leading to a number of follow-up calls and action to support even more local people.

Jane says she enjoys delivering rural outreach sessions; informing people and providing information that will enable customers to gain the knowledge they need so that they are able to save money through changing energy tariffs:

"I genuinely enjoy this work, particularly when dealing with vulnerable customers who just need someone they can trust to help them through the process. Furthermore I do believe that many now will have the confidence to do the comparison websites on their own next time and you feel that you have had a part in building that knowledge and confidence to enable them to undertake further investigation if they wish."

The advice and support provided by the BESN has enabled community Champions, such as Jane, to help the most vulnerable. Jane was one of over 150 2013-14 BESN Champions who attended training courses run by National Energy Action prior to the start of the programme. As well as the advice and information received on the day, the Champions were also equipped with hand outs and regular newsletters on energy issues to ensure those they are advising have access to as much relevant and up to date information as possible.

FAIRER ENERGY MARKETS - SUMMARY

NEW ACTION

- We are addressing competition in the market place through a Formal Market Investigation Reference of the market for the supply and acquisition of electricity and gas to the Competition Markets Authority
- We are working closely with Ofgem on the Retail Market Review to make the market simpler, clearer and fairer
- We are supporting the development of innovative collective switching schemes for energy
- We are challenging the industry to halve switching times by the end of this year and enabling consumers to find the best deal by carrying out an instant cross market comparison
- We are providing a further £1m of funding to support the Big Energy Saving Network into its second year

FUTURE DIRECTION

- We will work with suppliers to understand self-disconnecting practices and that vulnerable prepayment consumers are being treated fairly and receiving appropriate support
- We will seek to further reduce price differences for customers using prepayment meters compared to those paying by direct debit
- We will develop a plan so prepayment customers can benefit from smart meter roll out as soon as possible
- We will continue to work with Ofgem and suppliers to improve indebtedness policies and processes
- We will monitor and evaluate the Big Energy Saving Network, to ensure that it reaches an even higher number of consumers

3.4 Improving delivery

Making the most of the support available and getting it to the right people

3.4.1 It is clear that successfully meeting our new target will also require improvements in the way policies are delivered. We will continue to refine and improve the ways in which we target and engage fuel poor households, including the vulnerable and those that are facing the most severe problem.

New action to improve delivery – supporting partners to improve targeting

3.4.2 An over-arching priority in terms of improved fuel poverty delivery is to continue to develop the way we identify and target support at the households most in need. In the strategic framework document, published in July 2013, we committed to consider the scope for improved targeting especially based on our new understanding of who is fuel poor under the low income high costs indicator.

3.4.3 Since we published the strategic framework we have worked with stakeholders to understand the scope for improved targeting of support. This helped us to identify some of the barriers that exist to improving the way in which support is delivered to the fuel poor as well as helping us to understand the steps that we could take in the short term.

3.4.4 The most significant barrier to improving targeting is the quality and accessibility of data about fuel poor households. It is clear that there are a number of datasets that would be of use in targeting support better at the fuel poor – for example, data on the energy efficiency of dwellings and on which households are in receipt of means-tested benefits – but some of this data is not available and all could be improved for many of our partners (for example, energy companies, Local Authorities) delivering support to the fuel poor.

3.4.5 We recognise the role that wider access to data will need to play in helping to improve the way in which policies are delivered. The Government is currently working on a number of fronts to improve the availability of data. In doing so we are always conscious of the need to balance appropriate protection of personal data with the ability to unlock benefit for consumers and improve delivery of support.

New action to improve delivery – working with industry to identify those most in need

3.4.6 In keeping with the priority we have placed on investing in our evidence base, we are working with industry partners to better understand the location of non-gas fuel poor households. As discussed above, key to this is the development of a map showing the location of the existing gas grid. At present, we have access to the following data sources that could be useful in creating an off-gas grid map:

- DECC sub-national estimates of the proportion of properties without a gas meter at local authority and lower level super output area (LSOA) levels for 2012 and 2011 (published December 2013)⁴³
- Xoserve dataset of all postcodes without a record of a gas connection (published November 2013)⁴⁴

⁴³ www.gov.uk/government/collections/sub-national-gasconsumption-data

- DECC's National Energy Efficiency Data-Framework (NEED) estimates of the proportion of properties without a gas meter, based on type of property and occupants (published August 2013)⁴⁵

3.4.7 With the assistance of the Fuel Poverty Advisory Group (FPAG) Working Group on Off Gas Grid we are working with the Gas Distribution Networks (GDNs) to reach a data sharing agreement that will enable us to use information on the exact location of the existing gas grid. By having this as a collated GIS (Geographic Information System) data set we will be able to assess the distance of dwellings from the grid and to link this information with other geographic data sets, including indices of deprivation. We intend to publish the results of this work later this year.

3.4.8 We will shortly put out a tender for an external group to use this information to create a GIS map. We hope to make quick progress after that on making a GIS map publically available. Mapping of this form will help our delivery partners locate households on and off the gas grid and highlight opportunities for community based interventions to deliver energy efficiency measures, heat networks, renewable heating, and, where appropriate, extensions of the gas grid.

New action to improve delivery – making use of data held by Government

3.4.9 The Warm Home Discount has demonstrated that Government and Energy Suppliers can work together to use citizens' data to target and deliver support. Data matching is used in order to provide direct electricity bill discounts to over 1.1 million of the poorest pensioners without them having to take action. This is enabled through the Pensions Act 2008 which permits the sharing of specific data about recipients of Pension Credit between DWP and energy suppliers.

3.4.10 This is a cheap and efficient way of delivering the discounts and it also provides certainty that they are reaching the intended recipients. DECC and DWP are actively exploring ways to extend this approach to a broader set of polices, using different data sets.

3.4.11 The Government is conducting an open policy making process to explore the best way to overcome barriers to sharing different datasets across Government. One strand of the consultation is focusing on the tailoring of public services to individuals. DECC is working with the Cabinet Office to explore how this could help deliver fuel poverty policies – for example, to allow more people to receive the energy bill rebates automatically. As part of this open process we will look to ensure that any work to improve the effectiveness of data sharing across Government reflects our priority of better targeting support to the fuel poor. One of the main advantages of this is that it enables our resources to go further because assistance is provided where it is needed most.

3.4.12 Data sharing under Warm Home Discount gives us a high success rate in terms of reaching low income households. However, targeting assistance more specifically to the fuel poor could be achieved by combining benefits data with data that points us towards households with relatively high energy costs. As well as working on how we can use the best off-grid data in this way, we are looking at other ways of identifying high cost dwellings based on other characteristics. One possible way of doing this would be to target homes based on

⁴⁴ www.xoserve.com/wp-content/uploads/Off-Gas-Postcodes.xlsx

⁴⁵ www.gov.uk/government/collections/national-energy-efficiency-data-need-framework

their EPC ratings. **Therefore, DECC is working with DCLG to identify the opportunities for accessing and using EPC data in identifying inefficient homes.**

3.4.13 While we see a clear case for more open use of data, appropriate rules, protections and controls need to be in place in order to use EPC data. Furthermore, even with wider access in place, we will not be able to identify all the most at risk households (for example, sharing data on benefit recipients only allows us to identify the households actually claiming benefits in line with their entitlements, not those who do not claim in the first place; EPC data will only be available for those properties which have been sold or let since the requirement to have an EPC was introduced).

New action to improve delivery – easier verification, better customer experience

3.4.14 Better access to data can play a role in verifying the status of households that are identified for support under different policies.

3.4.15 Building on the experience gained in the delivery of the Warm Home Discount we are seeking to introduce a new verification mechanism to help the delivery of ECO Affordable Warmth. DECC, DWP and Ofgem, together with energy suppliers and Green Deal Providers, are working on additional data-sharing gateways that could be used to verify the eligibility of a household prior to the installation of measures. This would reduce the reporting and compliance burden on the suppliers and the supply chain. It would also be less intrusive, with evidence of entitlement no longer being needed.

New action to improve delivery - understanding low income high cost households

3.4.16 In keeping with our drive for better measurement and better understanding it is important that we continue to improve our understanding of the behaviours of those who live in low income high cost homes. This will have a range of benefits to the way that we design and deliver policy in future.

3.4.17 On the one hand we want to improve our analytical evidence base, including the way that we calculate the number of households in fuel poverty and the fuel poverty gap. To do this, we will be challenging current assumptions and develop new ones about how the fuel poor heat their homes.

3.4.18 But this is only part of the story if we are to maximise the impact of our policies. It is also important to understand the real life experience of those who we consider to be fuel poor under the new indicator: how do they make decisions about whether and how to heat their homes, what trade-offs in household spend do they make, and how do they participate in the energy market as consumers.

3.4.19 In August 2013 DECC tendered for a literature review of existing evidence on behaviour of fuel poor households, covering energy use and concerns, perceptions of energy efficiency, community engagement and behaviour change. The review was carried out by Natcen and the results are published alongside this consultation. Key gaps identified in the literature include:

- Little consistency in how households are identified as fuel poor – there was little evidence of studies that identified its sample using official indicators of fuel poverty, with most studies either using a proxy to identify the fuel poor (such as low income) or researching an at-risk group about fuel poverty issues.

- Understanding the energy behaviours of the fuel poor (in contrast to budgeting strategies) – for example, habits, operating heating systems and managing energy use.
- Attitudes and behaviours around energy efficiency, levels of awareness, engagement, perceived triggers and barriers and capacity to pay for improvement.
- Prioritisation – how individuals review costs/ benefits, the rationale behind energy behaviours.
- Channels of information used to engage with the energy markets and offers.
- Emerging patterns and social norms across fuel poor population or sub-groups.

3.4.20 We intend to conduct further research into some of the gaps in the evidence uncovered through the literature review and will look to develop tools to help other researchers identify the fuel poor more easily when carrying out qualitative and quantitative research. We will report back on progress when we publish the fuel poverty strategy.

Consultation Question

11

Do you have views on where we should focus future fuel poverty related behavioural research and do you know of any additional on-going work in this field?

Working together to help the fuel poor – fuel poverty is a problem for all society and Government cannot tackle it alone

3.4.21 Once published, our fuel poverty strategy will be far from the end of the story. Helping those on low incomes who face the highest energy bills and live in the hardest to heat homes will require a concerted effort, led by DECC, but with contributions from across Government and, very importantly, beyond. We want to harness all of the expertise and experience across the spectrum of interested parties including Government, industry, academia and the third sector.

New ways we will work together – a truly cross-Government approach

3.4.22 It is clear that action to tackle fuel poverty does not rest with DECC alone. The complex nature of the problem and the solutions means that the different levers lie across Government. Successful cross-Departmental working – for example, with DWP to deliver the Warm Home Discount, and with Public Health England (PHE) and DH in relation to the Cold Weather Plan – has clearly shown the progress that can be made when we work together towards a common objective. The new indicator and target point the way to even more collaboration.

3.4.23 To build on the joint working we already do we are establishing a new cross-Departmental group. This is expected to include representatives from DH, DWP, DCLG, HM Treasury, Defra, PHE and Ofgem. With detailed joint delivery work already underway in some areas – for example, in relation to Warm Home Discount – the group will focus its work on more strategic co-operation. For example, the group could identify policies in a range of Departments that could impact on fuel poverty and consider ways of maximising positive

effects. We intend to ensure that the work of this group is aligned with the work of the reformed FPAG, to enable the effectiveness of cross-Whitehall work to be scrutinised and promoted.

3.4.24 Ofgem has a vital role in this group as both independent regulator and policy administrator. As regulator, Ofgem has a principal objective to protect the interests of consumers. It has to exercise its duties paying particular attention to pensioners, long-term disabled and sick, those on low incomes and those living in rural areas. There is clearly a large overlap between these types of consumers and the people we are most concerned about from a fuel poverty perspective. While Ofgem must be an independent regulator, and be seen as such, this common set of interests underpins the relationship between Government, Ofgem and consumers. In this way, the Ofgem consumer vulnerability strategy and the fuel poverty strategy will be operating alongside each other in the interests of consumers.

3.4.25 In its role as regulator, Ofgem can bring together the wide range of interests in the energy sector – not just energy suppliers but also generators and the distribution companies – to consider consumer issues and fuel poverty. The Ofgem Sustainable Development Advisory Group (SDAG) is an independent panel that advises Ofgem on environmental and social issues. SDAG includes among its members the Chair of the Fuel Poverty Advisory Group, the Chief Executive of National Energy Action and Head of Energy at Citizen's Advice. At recent meetings the group has advised on areas including smart meters and non-traditional supply and generation models. We will continue to work with Ofgem to see how these relationships can be harnessed to benefit fuel poor households.

3.4.26 As the current administrator for many of Government's climate and energy schemes, including ECO and Warm Home Discount, Ofgem also plays a significant part in ensuring policy objectives are met. The way Ofgem administers the scheme ensures participating suppliers assist the right households with the right measures installed in the right way. Ofgem and DECC work together closely in framing the rules for such schemes to make sure they can be administered effectively and can therefore be relied on to deliver. Effective administration is a vital element of harnessing the power of market-based delivery mechanisms to lower overall costs, thereby helping secure more support for those who need it most.

The Fuel Poverty Advisory Group

3.4.27 The Fuel Poverty Advisory Group for England (FPAG), is an advisory Non-Departmental Public Body (NDPB) created in 2001 with the first UK fuel poverty strategy. It provides expert advice and scrutiny of Government action on fuel poverty in England.

3.4.28 DECC supports FPAG by providing its Secretariat and sponsor team. DECC maintains an open dialogue between the Group and its members, including current Chairman, Derek Lickorish MBE. There are regular meetings between the Chairman and DECC Ministers.

3.4.29 The FPAG Annual Report provides important recommendations to Government. In recent reports, FPAG has made specific recommendations to individual Departments with a role for taking action on fuel poverty, underscoring their expectation for a cross-Government approach.

3.4.30 As a public body, FPAG has been subject to its first Triennial Review, to assess the Group's role and governance structures.⁴⁶

⁴⁶ The Triennial Review is published as a separate document: <https://www.gov.uk/government/organisations/the-fuel-poverty-advisory-group>

Enhancing the role of the Fuel Poverty Advisory Group

3.4.31 Realising the new fuel poverty target must not be left to chance. An effective accountability and governance system that ensures future Government decisions reflect our 2030 ambition is vital. FPAG plays a fundamental role in supporting and challenging Government in its ambition and approach to tackling fuel poverty.

3.4.32 The core role of FPAG will continue to be to monitor and report on progress against the 2030 target, the interim targets and other key indicators of change.

3.4.33 To achieve this role with greater accountability and transparency and to ensure FPAG meets the best practice standards of an NDPB, we've set out in the first Triennial Review Report a number of reforms to improve the Group's function.

3.4.34 As we refresh our overall fuel poverty strategy, we also want to take this opportunity to improve the Group's ability to provide independent, strategic advice.

3.4.35 As part of this reform, important changes will be made to FPAG's core membership, to transition to a small number of appointed, independent experts made in line with the guidance set out by the Code of Practice issued by the Commissioner for Public Appointments (OCPA). The Group's performance will be regularly assessed by DECC. Members will no longer represent their employers or other organisations, but will represent independent views and will be accountable to the group itself and to DECC.

3.4.36 At the same time, we are very keen to continue to engage with the experts who currently sit as *ex officio* members on FPAG. For that reason, the reformed FPAG core will engage with experts through sub-groups – such as the existing industry working group on off-gas grid issues, which pulls together a wider range of experts to engage specifically on solutions for those in fuel poverty who are not connected to gas networks.

3.4.37 Through this combination of a streamlined core membership and new ways of working to harness wider expertise more effectively – as well as improved corporate governance – **the reforms to FPAG represent a significant strengthening of the accountability framework around the new target.**

Devolution and fuel poverty

3.4.38 Fuel poverty is a devolved issue. Scotland and Wales have statutory targets for tackling fuel poverty.

3.4.39 The Devolved Administrations have their own strategies and policies to tackle fuel poverty although a number of key policies operate across Great Britain (notably ECO and Warm Home Discount).

3.4.40 We will continue to engage and consult with the Devolved Administrations as appropriate in the development of these policies so that they take account of their circumstances and concerns.

3.4.41 The Devolved Administrations are able to measure the problem in their own way and indeed, different indicators are being used in each of them. The old 10% indicator used in England remains in place, but some of the underlying assumptions are different.

3.4.42 We will continue to publish statistics for Scotland, Wales and Northern Ireland as well as figures for England. However, direct comparison on the low income high costs measure will not be possible.

Reaching beyond Whitehall

3.4.43 The role of local actors in tackling fuel poverty can be very different from that of central Government and the bodies who hold Government to account. The organisations, groups and people that engage with individuals and families on a day to day basis will understand fuel poverty in different ways. We have increased our engagement with local level actors - for example, through the Local Authority Fuel Poverty Competition, the Big Energy Saving Network and through workshops exploring ways to improve targeting. Some key findings are set out in Annex C. This work has brought us valuable learning about the practical application of our analysis, and the real world delivery of our policies. It is pointing the way to improvement in the existing policy suite and different, more holistic approaches to designing and delivering policy for the future.

3.4.44 These relationships are important not only in terms of what we, as Government, can gain from them, but also in giving us a route to a wider range of external partners representing local actors or working at local level. Through these links we can share our developing understanding of the problem and how to alleviate it in line with the principles and target. This dialogue supports our efforts to make the case for increased activity that will help the fuel poor and move us towards the target, alongside other policy objectives. In turn, our contacts can share experience and best practice through networks such as the Local Government Association Knowledge Hub⁴⁷ and the Public Service Transformation Network⁴⁸.

Local Authorities

3.4.45 Local Authorities have a clear role to play in tackling fuel poverty. The Government has been working with the local government sector to help to improve the energy efficiency of fuel poor households. For example, through the Home Energy Conservation Act (HECA) Guidance, Local Authorities are required to report every two years setting out the energy conservation measures that the authority considers practicable, cost-effective and likely to result in significant improvement in the energy efficiency of residential accommodation in its area. The next round of reports from Local Authorities is due by March 2015. The guidance notes that authorities may wish to use their HECA reports to develop a separate Affordable Warmth Strategy. It also suggests authorities should consider the role of local Health and Well Being Boards and local health partners in this area and promotes thinking about how existing duties and powers (for example under the Housing Health and Safety Rating System) could play a role in supporting Affordable Warmth strategies.

3.4.46 In 2012/13, DECC ran a £31 million competition for Local Authorities to tackle fuel poverty in their area.⁴⁹ Strategic links drawn out by authorities bidding to the scheme covered health, social care services, housing, growth, environmental sustainability and strategy within local authorities. DECC funded SE2 to carry out a small, qualitative study of schemes funded under this scheme.⁵⁰ The study offers some useful insight into the perspective of local authorities delivering energy efficiency schemes and that of those receiving help. It also suggests areas where local authority involvement, and that of local level actors acting as delivery partners, can add value in delivering support to fuel poor homes. Some common themes from this small study are set out in Box 3.

⁴⁷ <https://knowledgehub.local.gov.uk/>

⁴⁸ <http://publicservicetransformation.org/>

⁴⁹ www.gov.uk/decc-local-authority-competition

⁵⁰ www.gov.uk/government/publications/local-authority-competition-evaluation-report

Box 3 – Common themes from a sample of projects supported by the DECC Local Authority Fuel Poverty Competition 2012-13

Experience of engaging customers

- Householders often happy to accept support from trusted local organisations, and through them could understand the value they would gain from the work
- Even with an unfamiliar energy efficiency measure such as external wall insulation, schemes were usually able to explain benefit, particularly where it would improve the appearance of the home
- 'Exemplar' properties in target local areas increased interest in external wall insulation
- On-going support or 'hand-holding' throughout was valued by those helped by schemes and minimised customer drop-out
- Certain points in the customer journey often led to stress – for example having to choose an installer and secure quotes
- Householder preference is an important factor which can often affect uptake of certain measures and should be considered alongside the technical energy efficiency requirements of the home

Experience of targeting support

- A range of local targeting methods were deployed – community-led, household specific targeting and area-based targeting
- Local data, as well as local community networks and knowledge, can help reach some of the most vulnerable
- Schemes studied used or generated a number of local datasets, many of which identified skills gaps in handling data, and raised the need for IT capability to be factored in
- Some promising approaches to using datasets for targeting were identified – for example using MOSAIC data and layering multiple datasets using GIS
- Schemes studied welcomed flexibility to target support at the vulnerable residents

Engaging citizens in tackling the problem

3.4.47 We are clear that local groups and individuals also have a role in working to help the fuel poor. A diverse variety of community groups are already helping to tackle fuel poverty, intervening at different points to provide support and technical advice. As set out in the Community Energy Strategy⁵¹, use of local community networks and knowledge can help partners identify households most in need. They can also provide support for navigating

⁵¹ www.gov.uk/government/publications/community-energy-strategy

processes such as switching energy supplier and for coping with the potential upheaval of installing energy efficiency measures. They can help people get to grips with new and unfamiliar systems and can check entitlements to benefits, including under ECO and Warm Home Discount. Recognition of this role underpinned the establishment of the Big Energy Saving Network discussed above.

3.4.48 The Community Energy Strategy sets out some of the ways in which community energy schemes can help low income and vulnerable households, along with proposals for future activity. The aim is to support community groups to include the fuel poor in their planning for and delivery of community energy schemes. The Community Energy Strategy suggests doing a number of things that will help with this, including:

- **Research into monitoring and evaluation of community energy projects** – This will include consideration of how fuel poverty could/should be incorporated into good monitoring and evaluation.
- **One stop shop online information resource** – This will provide a range of services that will help community groups set up and run their own energy purchasing projects. We envisage this including best practice case studies, ‘how to’ guides and shared templates and protocols. We also envisage it will include advice on how to think about and support the fuel poor, and how to monitor the support that goes to the fuel poor.
- **Community and local government conference** – Planned for September 2014, the conference will feature speakers from pioneering projects around the UK sharing their experiences. A programme of breakout sessions will build a practical understanding of how more communities can work together. We anticipate that the event will include consideration of how to plan to help the fuel poor.
- **Unlocking investment in community energy** – The Community Energy Strategy sets out a number of ways in which grant funding is being unlocked. For example, the creation of the £15m Rural Community Energy Fund and the £10m Urban Community Energy Fund. In providing and unlocking any funding, we will be thinking about how best to incorporate and encourage fuel poverty considerations in the assessment of any bids.

3.4.49 Recognising the potentially important role that community groups can play we want to understand better the specific value they bring on tackling fuel poverty, and what could enhance this role. **DECC is working with the Community Energy Coalition⁵² to shape a research project exploring how all forms of community action can help tackle fuel poverty in local areas.** The research will consider different routes for communities to work together, including new groups forming to tackle fuel poverty, existing groups focused on renewable energy generation, and non-energy specific groups such as residents groups, transition town networks, and faith, sports, cultural organisations. These will cover rural and urban localities as the needs and ways of working can be significantly different. The project is mindful of the new way that we understand the challenge under the low income high cost indicator, and will consider how community groups help different types of households based on tenure, energy availability and social circumstances (for example, single parents or non-gas homes). The focus will be on finding the best practice and how it can be increased within and between communities.

⁵² <http://ukcec.org/>

3.4.50 We will look to act quickly on the findings of this important research. We are clear that making real the fuel poverty ambitions set out in the Community Energy Strategy is something best led from communities themselves; those who understand local problems but also local opportunities. That does not mean that Government thinks its work is done. During the consultation period we will work with the Community Energy Contact Group⁵³ and the Community Energy Coalition to convene local partners to inform the actions set out above and advise on the issues set out in this consultation. As part of this we will consider what on-going role these partners will play in the development and implementation of the future fuel poverty strategy.

Consultation Questions	
12	To help inform development of the Community Energy one stop shop, what types of capacity support would help community groups increase their impact on fuel poverty (for example, information, training, mentoring, or local networking)?
13	What support would help to increase partnership working between community groups and other local level actors (ranging from Local Authorities to Health and Well-Being Boards and energy efficiency installers) in order to tackle fuel poverty?

Sharing learning internationally

3.4.51 We are not the only country that faces this problem. Whilst other countries have different names for it, many, including a number of European partners, are contending with the same problem of poor quality housing and rising energy bills. Each country's circumstances will be different, but we can all learn from the different approaches taken in addressing this problem. This is one reason why there is a vulnerable consumers working group within the EU's Council of Ministers.

3.4.52 One interesting aspect is that many countries do not have an official definition of fuel poverty. EU comparisons often rely on making use of data drawn from subjective, rather than empirical, analysis. We are aware of international interest in DECC's work on defining fuel poverty. The low income high cost measurement approach is being looked at in France, where a National Observatory on fuel poverty has been established with the aim of raising awareness, providing evidence and sharing best practice.

3.4.53 Beyond Europe, other countries' experiences may also prove useful in informing our own evaluations. For instance in New Zealand they have undertaken an extensive evaluation of their Warm Up New Zealand: Heat Smart extension programme. This has suggested, amongst other findings, that there are significant health savings from these programmes. Whilst the findings may not be replicable in precisely the same way, we can still use this to inform our own evaluations.

⁵³ www.gov.uk/government/groups/community-energy-contact-group

New ways we will work together – a collaborative approach to enhancing the evidence base

3.4.54 Our understanding of the nature of fuel poverty has transformed since Professor Sir John Hills began his review. Through his insights we have developed a world class evidence base that underpins all of our activity, and informs the activity of others. The evidence base is continually evolving and working through partners we are broadening our understanding of the interplay between fuel poverty and wider issues, such as health and education. Recognising the value of these collaborations we are keen to share our priority areas for enhancing the evidence base and to invite others to play a part in filling the gaps.

3.4.55 One way of doing this in a way that is open and flexible would be to make available a list of priority areas for research that DECC is taking forward, or that Government is taking forward. This might be accompanied by a list of other areas where we feel the evidence base could be enhanced alongside details of how to ensure that research is compatible with a low income high cost approach to understanding the problem.

3.4.56 To illustrate, we have stated above that we are prioritising health as an area to take forward research and we have plans to tender for specific studies in 2014. In addition we have identified two further areas we feel merit further study and we would be keen to see partners carry out work in this area:

- **Developing evidence on the short and long term mental health impacts of living in fuel poverty, particularly on children** – A number of recent studies make a convincing case for a link between living at low temperatures and mental well-being in adults, although we would welcome further research would be helpful to clarify the exact nature of the relationship between these two factors. There is far less evidence in relation to the mental health of children specifically, for example, due to gaps in survey data.
- **Understanding the long-term health impacts on children of growing up in a fuel poor household** – There is some evidence to suggest that children could be at higher risk than the general population of certain detrimental health impacts from living in cold homes, although the direct influence of cold temperatures is not always clear. We would like to strengthen the evidence base available.

3.4.57 We are interested in views on how we could best have an open and collaborative approach to identifying research priorities for Government and other organisations and individuals with an interest in fuel poverty.

Consultation Question	
14	How can Government support a collaborative approach to developing the fuel poverty evidence base? What are the best ways to communicate priorities? What tools would be useful to ensure a quality approach consistent with the low income high cost indicator?

IMPROVING DELIVERY - SUMMARY

NEW ACTION

- We are working with industry and other Government Departments to explore how new off grid datasets can improve support for off grid fuel poor, and how we could go further
- We are working with DWP and Ofgem to develop new data sharing gateways to improve Affordable Warmth delivery – cutting costs and helping target support to those most at need
- We are developing a truly cross Government strategy – driven by a new senior cross-Departmental group
- We are working across Whitehall on health – DECC, DH, PHE health specific working group
- We are working with industry – FPAG Industry Working Group on off gas grid
- We are working with communities – Community Energy coalition exploring role of grassroots in engaging and support low income high costs homes
- We are working towards an enhanced role for FPAG – holding Government to account, reviewing and reporting on progress
- We are working with Devolved Administrations to ensure that policies which operate across Great Britain meet the needs of fuel poor as defined in each nation
- We are building the evidence base – inviting partners to help fill gaps in our understanding

FUTURE DIRECTION

- We will use the low income high cost indicator to improve targeting in policy design, moving beyond proxies, and in policy delivery, supporting the market to develop of tools to help delivery partners find the fuel poor
- We will explore potential for wider data sharing – supporting targeting and saving on delivery costs

4. Reviewing the target and strategy

4.1 The new fuel poverty strategy will need to be a living document. It is neither possible nor desirable to produce a one-off strategy setting out exactly how we will meet a 2030 target. Rather, we want to be able to adjust the strategy in light of the latest thinking on how to cost-effectively tackle the problem and to make sure we are on appropriate path towards fulfilling the target.

4.2 **We therefore intend to review the fuel poverty strategy regularly, for example every three years.** The aim of these reviews will be to look at the overall strategy in light of any developments, and decide whether any changes in the overall policy mix are required.

4.3 There are other circumstances in which we would expect to review the strategy. As we have set out in section 2, the measurement of energy efficiency is a constantly evolving, taking account of the latest developments in science and technologies. Every time the SAP methodology is updated⁵⁴ we will review the fuel poverty methodology to decide whether this should take account of the latest updates to SAP. Fundamental changes could have wide implications which would need careful consideration.

4.4 These review processes will provide an opportunity to check progress against the target. They will also be a chance to consider and take account of developments in the policy and delivery landscape and how these affect our action on fuel poverty. Of course, monitoring performance and progress will not be limited to such reviews – we will keep a constant eye on how we are doing. Nevertheless, more formal review processes will help ensure that we avoid the fuel poverty strategy becoming out of date, with little or no relevance to the action being undertaken to tackle the problem. This is an important lesson we have drawn from the outcome of the Hills Review.

4.5 We are keen for there to be effective levels of public accountability for progress. This is a driving force behind the reform of FPAG. Further, not least because of the evident level of parliamentary interest in fuel poverty, **we intend to hold an annual debate in Parliament on fuel poverty.** We expect the first debate to be held within 12 months of the adoption of the fuel poverty strategy.

⁵⁴ See Annex B

Annex A - Understanding fuel poverty

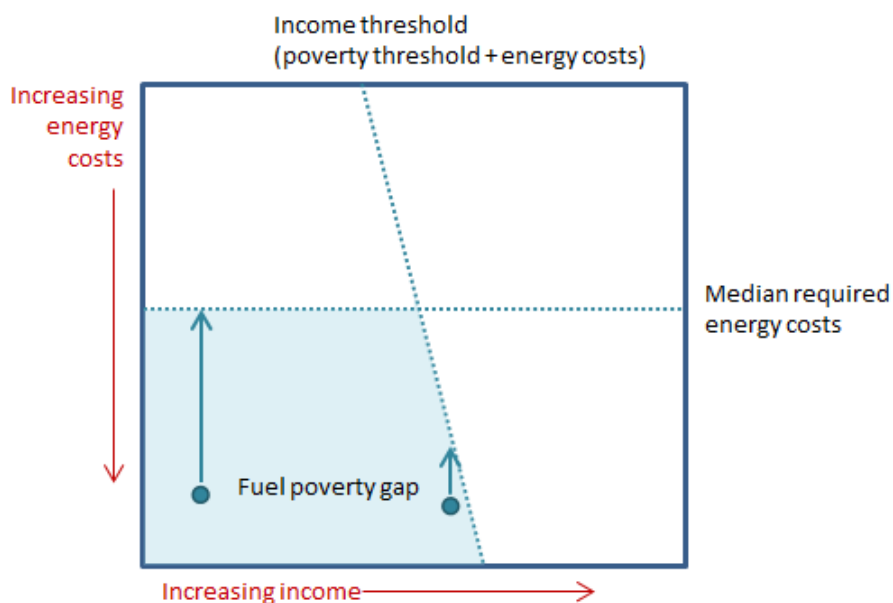


Figure 5: the low income high costs indicator

Professor Sir John Hills examined the issue of measurement in his independent review of fuel poverty. The review was commissioned to get a better understanding of the problem, and to look at what the best form of measurement should be – in particular to look at the indicator that we had been using, which found a household to be fuel poor if it would need to spend more than 10 per cent of its income on energy in order to maintain an adequate standard of warmth. Professor Hills concluded that this indicator had some fundamental issues that meant it was not providing an accurate picture of the problem and had led to an underestimation of the problem when energy prices were low and an overestimation when prices were high. It was also extremely sensitive to the assumptions used, for instance, in relation to the temperature standards within the fuel poverty methodology.⁵⁵

One of Sir John's key findings was that fuel poverty should be measured as a relative problem. This is already the case for the Government's primary measure of income poverty. This better reflects the long-term, structural nature of the issue. Taking this approach underlines the need for an on-going effort to tackle fuel poverty and embeds a concern for ensuring that the fuel poor do not get left behind as wider improvements in energy efficiency take place.

One effect of measuring fuel poverty using a relative indicator is that the extent of the problem – the number of fuel poor households – is unlikely to change significantly from year to year. However, the fuel poverty gap could change more each year, reflecting overall shifts in energy prices in particular. Using a relative measure means that changes in standards across all households (for example, in relation to energy efficiency) are

⁵⁵ Further detail on the reasons behind the Government's decision to adopt a new indicator can be found here: www.gov.uk/government/consultations/fuel-poverty-changing-the-framework-for-measurement

automatically captured by the indicator. This means that notions of what is 'reasonable' in terms of energy costs will evolve over time, reflecting changes in contemporary standards. We see this as a key strength of our new approach, giving us an indicator we can have confidence in.

Further information on the composition of the fuel poor using the new indicator are provided each year in the Fuel Poverty Statistics Report.⁵⁶ This publication gives a detailed breakdown using a number of household and dwelling characteristics including property type and age, heating type, tenure and region. We will continue to publish these, using the low income high costs indicator as the basis for these statistics. At least for the time being, we also intend to continue to report on the old 10 per cent indicator as part of these statistics.

We will continue to review and update the methodology underlying the fuel poverty statistics, to take account of the latest evidence and understanding on fuel poverty.⁵⁷ We expect to conduct a review of the key assumptions in the methodology using the results of the 2011 Energy Follow-Up Survey, which focused in particular on indoor temperatures and heating regimes. The review will make recommendations on what changes should be made to the methodology in light of the findings.

⁵⁶ See: www.gov.uk/government/collections/fuel-poverty-statistics

⁵⁷ See the Annual Fuel Poverty Statistics Report for detailed calculations of the fuel poverty methodology: www.gov.uk/government/collections/fuel-poverty-statistics

Annex B – The Fuel Poverty Energy Efficiency Rating Methodology

As we set out in Section 2 we have developed a specific methodology for capturing the energy efficiency of fuel poor households for the purpose of measuring progress against the target – the Fuel Poverty Energy Efficiency Rating (FPEER). This is based on the Standard Assessment Procedure (SAP), but with adjustments in order to reflect genuine energy-bill interventions that would not currently be reflected in SAP. These adjustments reflect who lives in the home (e.g. households that qualify for energy bill discounts through Government schemes), rather than just comparing the fabric (and micro-generation capacity) of the home as per the SAP methodology.

The intention of this ‘SAP-based’ methodology is solely to measure progress against a new target, based on making adjustments to the SAP ratings included in the housing data used for fuel poverty National Statistics – currently the English Housing Survey. This means we are only adopting this approach in the annual Fuel Poverty National Statistics publication – the official document by which Government has always measured its progress against its statutory fuel poverty duties in England.

Outline of Approach

The high level outline of the proposed approach is shown in Figure 6 below and set out in detail in the FPEER methodology document. It effectively describes the intention to borrow heavily from the SAP methodology, whereby:

1. The standardised assumptions in SAP are used to derive estimates of the required kWh for space heating (and cooling), water heating, lighting and (where applicable) ventilation.
2. A set of published fuel prices (standing charges + unit prices) are applied to the kWh estimates by use and fuel, to arrive at overall cost estimates for each. For the purposes of SAP ratings (rather than EPC-based cost-estimates for each fuel use), a single set of comparable prices are used which only change between versions of the SAP methodology (e.g. SAP 2009 to SAP 2012).
3. The methodology makes adjustments to the cost estimates at this stage, in a similar way to how adjustments are made for the impact of renewable energy measures such as Solar PV in the SAP methodology. For example, if the combination of space heating, water heating, and lighting led to a standardised cost estimate of £1,200 for a dwelling, and we wished to reflect that the inhabitants of that dwelling had received a direct energy bill discount of £135, then we would subtract the £135 from the £1,200 overall costs.
4. The costs, adjusted for the bill discount, would then be transformed into an energy efficiency rating, in a similar way to a SAP rating. This rating is then translated into a letter-based banding from A to G.

The full detail of this approach is available online⁵⁸.

⁵⁸ <https://www.gov.uk/government/publications/fuel-poverty-england-regulations-2014>

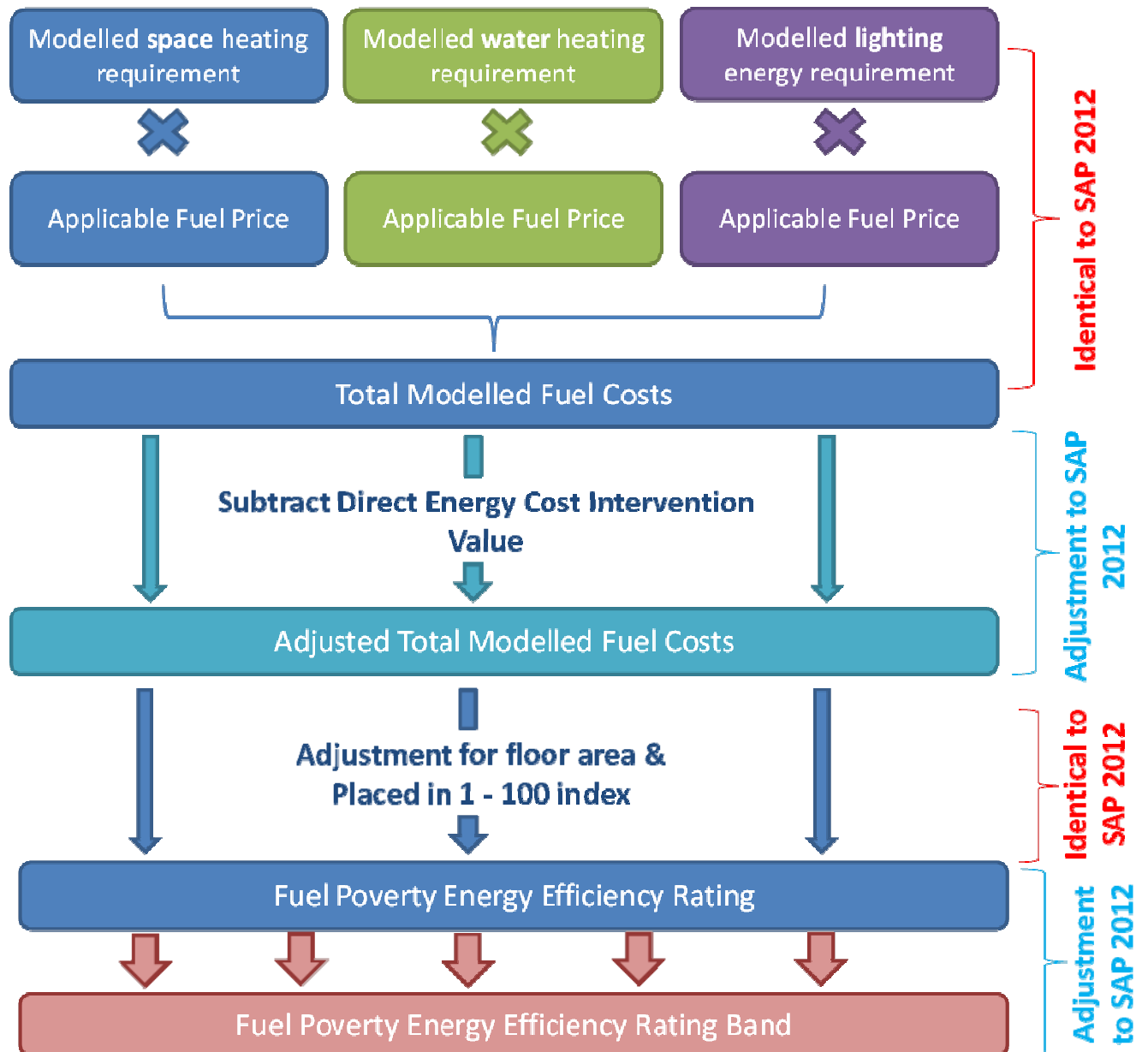


Figure 6: High level summary of the Fuel Poverty Energy Efficiency Rating Methodology

Government considers that this is the appropriate approach to take for current and planned policies. However, it is possible that over the period of the target, changes could occur, for example in relation to the mechanism for compensating households in relation to energy costs. In such circumstances, it would be important to confirm that changes in the Fuel Poverty Energy Efficiency Rating reflected the underlying impact of the change on the situation of households in fuel poverty.

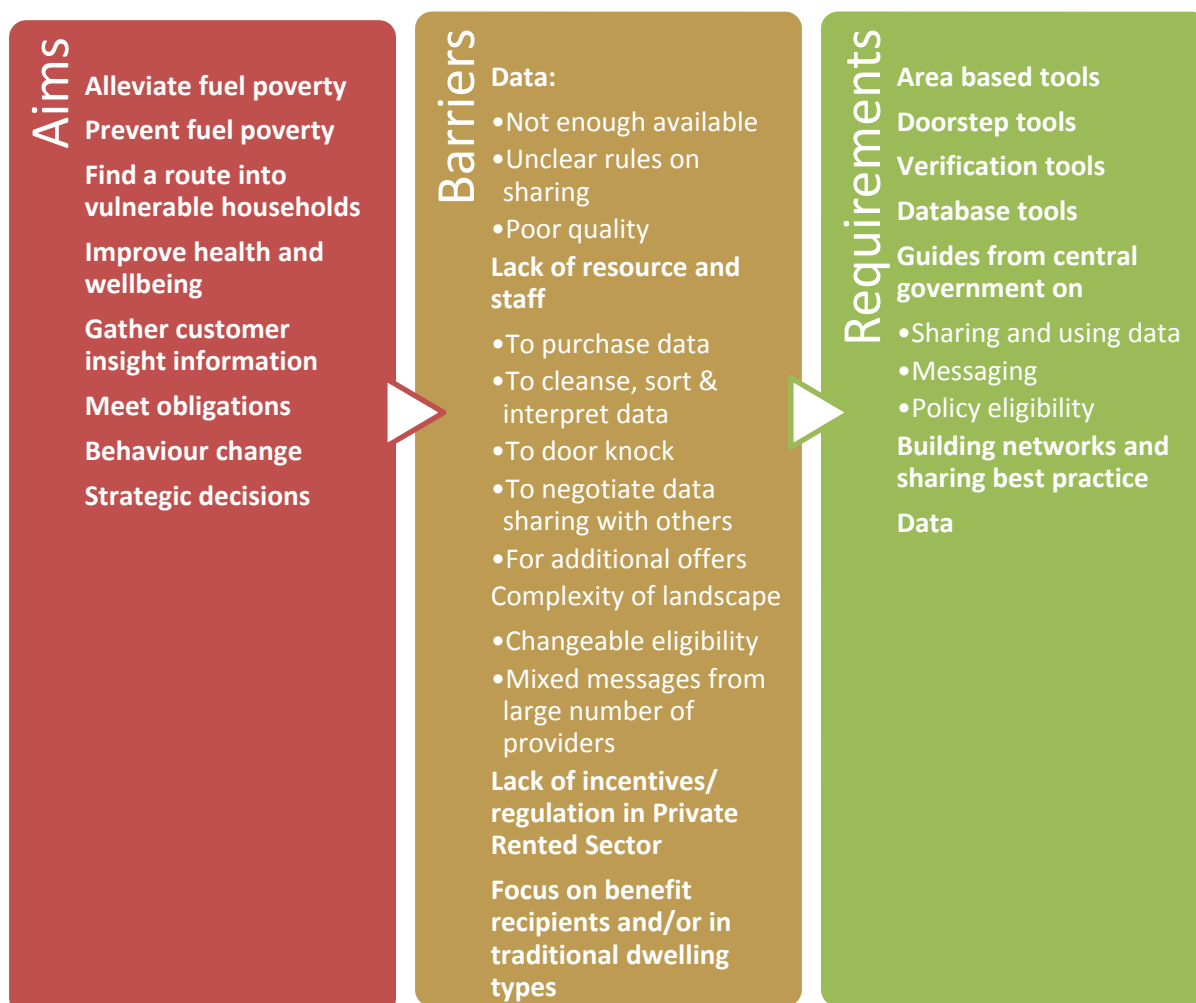
Annex C – Overview of findings of fuel poverty targeting workshops

We recognise that the fuel poverty measurement framework can appear complex, even unwieldy. While, at national level, a full level of detail is needed to measure fuel poverty as accurately as possible, based on the data available to us, we know that others wish to use the indicator in other ways, to identify people who are fuel poor on the ground, perhaps using different sources of data that are available to them. We have therefore worked with Local Authorities, energy suppliers, consumer groups and others involved in delivering support to the fuel poor to understand how they would use this information on the ground. In particular we have sought views on the outcomes they seek in targeting the fuel poor, barriers faced in targeting and what might make targeting better and easier.

During December 2013 DECC held a number of targeting workshops with stakeholders from around the country. The workshops asked questions about what was needed on the ground to aid targeting. These were:

- What are you trying to achieve?
- What are the barriers to effective targeting?
- What could help overcome those barriers?

We collected the information in order to analyse gaps in provision, and committed to make the information available when we published the strategy to inform others about gaps in the market. A high level summary of the workshop outcomes is set out in the diagram below.



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