



Committee on Fuel Poverty

Minutes of Committee on Fuel Poverty (CFP) Meeting, 23rd March 2016

1. All members of the Committee were present: Tom Wright (Chair), Alice Maynard, Jenny Saunders, Paul Massara, David Blakemore and Lawrence Slade. From DECC, the Sponsor and Secretariat were present.

Minutes of last meeting and actions

2. The minutes of the meeting on 25th January 2016 had been agreed by email and published on the CFP web pages on 11th February.

3. The majority of actions from the last meeting had been completed and Members were content that remaining actions from the last meeting were being progressed.

Conflicts of Interests

4. Members were reminded of the requirement to ensure that their entries to the register of members' interests were up to date. With regard to this meeting's agenda item on off-gas grid customers, Jenny Saunders noted that she is a Non-Executive Board Director of National Grid's Affordable Warmth Community Interest Company. It was agreed that this did not indicate a sufficient conflict to prevent her being present for the item. No other potential conflicts of interest specific to the meeting's agenda were declared.

Off-gas grid customers

5. Jeremy Nesbitt, Managing Director of National Grid Affordable Warmth Solutions, discussed with the Committee the particular challenges to tackling fuel poverty among customers not connected to the gas grid.

6. Mr Nesbitt had chaired the former Fuel Poverty Advisory Group's Independent Working Group (IWG), which had advised on off-gas grid issues. He gave the Committee an overview of the off-grid population, explained that existing schemes did not satisfactorily address the problems, and suggested some possible ways to approach the issue.

7. There were two largely distinct populations to consider: of around 4 million homes off the gas grid, the majority were in major cities, with around 3 million in high rise blocks; around a million homes were primarily in rural locations, with many very remote from the grid. Impacts on health from living in a cold home were more severe among the rural locations. An online mapping tool (www.nongasmap.org.uk) had

been developed by the IWG which provided a tool for identifying the proximity of households to mains gas lines.

8. The Committee noted the importance of off-gas grid customers to reaching the 2020 milestone. Around 60% of fuel poor customers in F&G-rated homes were off the gas grid. The fuel poverty gap was on average larger among off-gas grid households.

9. Mr Nesbitt felt that the basis of a successful approach could include: recognising that off-gas customers were a special group, with particular problems to address; having a pool of funding which could be used to develop bespoke solutions; and having some central co-ordination or oversight of local delivery.

10. The Committee invited Mr Nesbitt to submit a paper to summarise the key recommendations of the IWG. In consultation with Mr Nesbitt, the Committee would consider whether there should be a continuing role for the IWG (or an equivalent group), or otherwise how best to make effective use of the IWG's output and expertise.

11. The Committee continued discussion of addressing off-gas grid customers under the item on policy issues (see paragraph 18).

DECC Update

12. Current and imminent relevant consultations were noted. The Committee agreed it would respond to the Cabinet Office's consultation on better use of data in government, noting the proposal to use data to improve delivery and targeting of the Warm Home Discount.

13. More generally, the Committee's view was that responding to consultations would not always be the most effective way for it to provide views, although it may be appropriate on certain occasions and particularly for consultations from departments other than DECC. As regards DECC, the Committee would work with the sponsor team to establish the most suitable ways to provide input.

CMA Update

14. The Committee discussed key points arising from the CMA's proposed remedies¹. First was the proposed "prepayment price cap", which the Committee welcomed. Members discussed the potential levels of saving that might result and noted the need to understand more precisely what the impact will be on fuel poverty. The Committee felt that the tariff would need to be carefully explained to consumers, and that a range of parties would need to work together to do this effectively.

15. The Committee also noted the proposals to remove the "four tariff rule", which limits the number of tariffs that suppliers could offer, and for Ofgem to maintain a database of "disengaged customers". This led to discussion about the potential for

¹ Provisional decision on remedies, Competition & Markets Authority: https://assets.digital.cabinet-office.gov.uk/media/56efe79040f0b60385000016/EMI_provisional_decision_on_remedies.pdf

future switching campaigns to have a fuller and more effective focus on fuel poor customers.

Policy Issues

16. The Committee discussed several policy areas which had been recognised as presenting specific challenges. The aim was to ensure that the group understood the issues, the scale of the particular problems and any potential solutions. The Committee also wished to ensure that any early opportunities to address problems would not be missed.

17. Prepayment customers were discussed under the CMA update (see paragraph 14).

18. Discussion of off-gas grid customers drew upon the earlier discussion with Jeremy Nesbitt (paragraphs 5-9). The impacts of the Central Heating Fund and Fuel Poor Network Extension scheme were discussed. These schemes were providing benefits, but members noted that, because of their current scale, their impact on the overall population would be limited. Among other potential solutions, future supplier obligations could be re-focussed to help more off-grid households and RHI could play a role. The Committee also discussed the potential for using an “Assignment of Rights” system to enable development of a market for third-party financing of solutions. This could depend on a pay-as-you-save mechanism being maintained (such as used for Green Deal finance). Alongside such solutions there could be a continuing effort to connect homes to the grid, including park homes, where they were within reach.

19. On park homes, the Committee discussed potential solutions such as requiring EPCs and enabling residents to have choices of energy supply and supplier. It was also noted that there had been a lack of development of cost-effective solutions for insulation of park homes, particularly older homes, and that there could be value in further research in this area.

20. On the private-rented sector, the Committee noted that addressing this sector could be critical in reaching the 2020 milestone, given the extent of the fuel poor population in privately-rented F & G-rated properties. This was a particularly challenging area, where more work was needed to establish how landlords could be incentivised, or required, to improve energy efficiency. Although it would only be a part of the solution, the Committee saw a role for better communications with customers in the private-rented sector, to ensure that they understood switching options and potential benefits.

Gap Analysis

21. Since its January meeting, the Committee had given further consideration to understanding the challenges in reaching the 2020 milestone (plus the 2025 milestone and the fuel poverty target). This informed a wide-ranging discussion on the role that existing schemes could play, on how to secure the best outcomes from these (given proposed changes to major schemes), how to begin to address the gaps, and how to frame early advice.

22. Broadly, the Committee felt that targeting of existing schemes needed to be improved. It was encouraging that DECC was working to enable improved targeting, for instance, through progress with data sharing, but the benefits of this would only be realised if schemes such as Warm Home Discount and supplier obligations made use of the possibilities.

23. The Committee noted that the level of spending on major, relevant schemes (such as supplier obligations and Warm Home Discount) in the period up to and beyond the 2020 milestone was set to be significant (despite reductions to future supplier obligations following the Government's spending review). If all or most of this could be effectively used and targeted, it would make a real difference and increase significantly the likelihood of 2020 milestone being reached. However, as currently designed, the major schemes were unlikely to target the fuel poor sufficiently and there was a clear risk of the milestone not being reached.

24. The Committee also discussed the importance of focussing on one of the guiding principles of the Government's fuel poverty strategy – to prioritise the most severely fuel poor. Measures for those worst affected could often be among the most expensive. The Committee noted that such efforts would not always impact significantly on the numbers in fuel poverty, or even the upward movement of households through EPC bands.

25. There was also discussion of how success in tackling fuel poverty would be measured. The Government's fuel poverty target and milestones focussed on EPC bands. However, the strategy also included a focus on depth of fuel poverty, and helping those worst off. Meanwhile, understandably, there would always be a focus on the total numbers in fuel poverty. On the latter, the nature of the fuel poverty definition was discussed. The use of relative definitions for "low income" and "high cost" meant that there would always be numbers of fuel poor people. Success in certain areas would therefore not always be obviously visible, and it would be important to understand and communicate where there was progress, and where not.

Additional Workshop

26. The Committee decided to meet for an additional "workshop" during April to continue discussions.

Dates of 2016 CFP Meetings

- 8/6/16
- 12/7/16
- 15/9/16
- 17/11/16