

Fuel Poverty Advisory Group

(for England)

11th Annual Report

2012-13

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Disclaimer: The diverse nature of the Fuel Poverty Advisory Group’s (FPAG) membership may, on some occasions, prevent unanimity on some of the points within this report and the views of individual members may vary from what’s written.

Foreword



For many years the problem of poor heating systems, badly insulated housing, combined with unaffordable and rising fuel costs has contributed to significant and avoidable health problems and exacerbated health inequalities.

The new figures on the number of excess winter deaths for England and Wales last winter show a worrying increase; up 29% to 31,100. An estimated 30% of winter deaths in Europe are caused by cold housing¹.

Consumer surveys reveal energy costs as a source of even greater worry to fuel poor and hard-working families than in 2012. The Fuel Poverty Advisory Group (FPAG) is extremely concerned that the National Audit Office² says utility bills will increase over the next ten years to fund large scale infrastructure spending, but Government does not know by how much, or whether bills will be affordable. FPAG raised this fundamental issue in its previous annual reports.

The current political conflict about energy bills does nothing to convey that energy bills will be more affordable in the years ahead. While any temporary financial assistance, in whatever form, towards an energy bill is welcome, there are other fundamental issues that Government must consider.

Energy bills will increase

According to the Department of Energy and Climate Change's (DECC's) own figures, by 2020 policy costs on electricity bills will reach 24% of the bill.

Levies on bills are regressive

This added burden on poor and fuel poor consumers will mean many households will continue to have to ration their energy use due to lack of income. If the intention is to continue funding energy infrastructure, green and social costs in this way, then consideration must now be given to a more progressive energy charging regime.

Price escalation risk

Political conflict and the uncertainty it creates about the industry per se also adds additional price escalation risk for the nation in general and fuel poor households in particular. Political uncertainty will increase the cost of borrowing. The industry, we are told, needs to invest about £140 billion over the coming years. A failure to replace generating capacity and other infrastructure means capacity shortages could drive wholesale prices even higher. In simple terms, a 1% risk premium added to borrowing costs could add another £1.4 billion per year to bills for many years – more than the £1.3 billion cost of Energy Company Obligation (ECO) – the subject of the Government's recent and very intense 'green levy' review.

¹ <http://bit.ly/1jRSmBI> [p13]

² Infrastructure investment: the impact on consumer bills <http://bit.ly/1cTUQPk>

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While FPAG welcomes the Government's intention to extend some aspects of the revised ECO to 2017, it remains manifestly inadequate to deal with the scale of the fuel poverty challenge. As part of these proposals, FPAG expects that the new easy-to-treat measures in the ECO Carbon Emissions Reduction Obligation (CERO) will be targeted to poor and fuel poor homes that need the most help, over homes that could otherwise afford them.

Fuel poverty is on the rise again

In his final report, Professor Sir John Hills stated that the rate of return of investing in energy efficiency programmes for low income vulnerable households significantly outweighs the cost of implementation. FPAG is, therefore, reiterating its concerns in this 11th annual report to Government. Fuel poverty is on the rise again and we urge Government to take our advice to significantly increase the level of resources available to stop the annual winter cold homes crisis in England and reduce excess winter deaths.

Government policy costs on energy bills combined with a rise in wholesale global energy prices, creates implications for poor and vulnerable consumers and should trouble the collective conscience of society and in particular, of elected representatives. A high level of insulation with an efficient heating system is the only way to bring down bills permanently. These facts drive a compelling ethical case for the use of revenues from the Carbon Price Floor (CPF) and European Union Emissions Trading Scheme (EU ETS) to fund an additional, ambitious energy efficiency programme, to provide new support to tackle fuel poverty.

We urge the Prime Minister, who in his letter to FPAG following last year's report (Appendix 1) noted his commitment to finding affordable energy solutions, to consider our recommendations as the Government moves to implement a new fuel poverty strategy and target for England and to seek cross-party agreement to ensure that strategy will endure.

Since last year's report, following recommendations from Professor Hills, DECC has led an exercise to redefine fuel poverty to find the least energy efficient homes, lived in by those on the lowest incomes. FPAG welcomes this re-focus, and as Government moves to a new target underpinned by an updated strategy, FPAG demands a clear direction is set out for tackling fuel poverty, which meets the scale of the challenge.

Business as usual simply won't do. With the new strategy, now is the time for Government to work together to commit to an ambitious approach, leaving 'no stone unturned' in pursuit of additional relief for the 2.4 million households in England struggling with fuel poverty.

DEREK LICKORISH MBE

Chair of Fuel Poverty Advisory Group

FPAG Recommendations to Government

Prime Minister

The Government's focus on energy prices is very welcome, but it must also be accompanied by clear actions across Government – not just DECC – to support a properly resourced fuel poverty strategy. These actions must also reconfirm your intentions to tackle fuel poverty. In your letter to us following last year's report (Appendix 1) you referenced your commitment to reach the fuel poverty eradication target by 2016. We understand there have been recent amendments to redefine this target. FPAG wants a firm commitment that fuel poverty is a top priority and that the new target will be taken seriously, with necessary resourcing.

1. To declare a strategic intent for an ambitious fuel poverty strategy that will seek to increase the energy efficiency of homes and reduce the number of excess winter deaths and for it to be a clear multi-department responsibility led by DECC.
2. To ensure that following the recent 'green levies' review and any subsequent changes, the level of Energy Company Obligation funding for the critical fuel poverty elements – Home Heating Cost Reduction Obligation and the Affordable Warmth and Carbon Saving Communities Obligation – will endure and the Warm Home Discount is extended to those who are entitled to receive Cold Weather Payments. The Warm Home Discount extension could be funded, for example, by the additional VAT receipts derived from the increases in energy bills.
3. To ensure that the distributional impacts and consequences of increasing utility bills for poor and vulnerable consumers be understood as a matter of urgency and appropriate remedial policies implemented to mitigate their impact.
4. To leave 'no stone unturned' in pursuit of additional relief for millions of fuel poor households who will struggle to meet the cost of heating their homes this winter.

Chancellor of the Exchequer and Treasury:

A precedent was set through the compensation awarded to industry for the impact of the Carbon Price Floor and EU Emissions Trading Strategy policies. In addition, on 13th July 2013, the Government declared its further intent³ to protect energy intensive users from the impact of Contracts for Difference:

1. To establish as a matter of urgency a similarly mitigating policy through a publicly funded energy efficiency programme to protect low-income households from the worst impact of increased energy prices.
2. To facilitate the use of carbon tax revenues to fuel poverty-proof poor housing occupied by low-income households. This would bring multiple benefits including more energy efficient homes, more affordable energy bills, carbon reduction, reduced costs to the NHS in winter months, and economic growth through additional jobs created and money circulating in poorer communities. Over the next 15 years, approximately £63 billion will be added to energy bills through the Carbon Price Floor and EU Emissions Trading Strategy – much of which will come from domestic energy consumers. The Government estimates that these carbon taxes will add £67 per year to the average household energy bill by 2020. The French⁴, Estonian⁵ and Australian⁶ governments have all undertaken to protect consumers against policy-related energy price rises through energy efficiency programmes and/or welfare benefit support.
3. To fund the planned exemption for energy intensive users from the costs arising from Contracts for Difference from taxation and not through costs added to consumers' energy bills.

Secretary of State, Department for Energy and Climate Change

As the Government lead on fuel poverty, we propose:

1. That you champion an ambitious strategy for tackling fuel poverty, clearly setting out funding and governance structures with cross-Government responsibilities for achieving the target.
2. That you consider fuel poverty in the context of the new community energy strategy, linking to wider heat and renewable policies to support off-grid consumers, working with Distribution Network Operators.
3. That in considering the next phase of Energy Company Obligation where the Carbon Emissions Reduction Obligation will allow easy to treat measures, that the poor and fuel poor – who are least able to afford measures – are the first to benefit. We also propose that you set up an on-going Energy Company Obligation monitoring group to consider the customer experience.
4. That you extend the Warm Home Discount so that all recipients of Cold Weather Payments are also entitled to it.

³ Eligibility for an exemption from the costs of Contracts for Difference <http://bit.ly/18Wrdvw>

⁴ <http://bit.ly/XJqVRr>

⁵ <http://bit.ly/TM2Pzu>

⁶ Summary of the Australian Government's climate <http://bit.ly/RWiQXU>

Secretary of State, Department of Health

As the Secretary committed to helping people to live better for longer, with a goal set out to reduce mortality by 30,000 annually, we propose:

1. That you acknowledge that better health is more a question of better homes, than it is of healthcare and that you tackle the costs of illness related to cold homes by contributing funding and supporting cross-Government efforts to tackle fuel poverty.
2. That you ensure your annual Cold Weather Plan for England continues to link to wider work on fuel poverty and provides clear guidance on how support to cold homes can be delivered locally.
3. That you encourage Health and Wellbeing Boards to support the shared ambition set out in 'Living Well for Longer' and to work to prevent the causes of, and ameliorate the symptoms of, fuel poverty at a local level by developing further supportive material and advice on good practice on how investment in energy efficiency can improve health outcomes and reduce costs of health and social care support.
4. That you shift the focus of NHS funding from acute services to preventative measures, including fuel poverty alleviation.

Secretary of State, Department for Work and Pensions

As the Secretary committed to providing welfare and pension support, we propose:

1. That as you consider the effect benefit reforms, including Universal Credit and Pensions, may have on fuel poverty and the new fuel poverty target and strategy.
2. That you take action to ensure benefit take-up is increased to ensure those in fuel poverty are receiving all of the welfare benefits they are entitled to.
3. That you explain what action you will take to support poor households who find their bills unaffordable, as fuel price inflation outstrips income growth.
4. That you extend the current Warm Home Discount data-matching powers and ensure consistency in the eligibility for broader group rebates from suppliers. It would be sensible for the Cold Weather Payment eligibility to be adopted.

Secretary of State, Department for Communities and Local Government

As the Secretary committed to supporting communities and local authorities, we propose:

1. That you work with DECC to ensure the earliest possible introduction of Private Rental Sector regulations focused on improving the quality of homes.
2. That you support local authorities to deliver their obligations under the Home Energy Conservation Act and Housing Health and Safety Rating System and work with FPAG to investigate mechanisms to support local delivery of fuel poverty programmes.
3. That you collaborate with the DECC on their new Community Energy Strategy by providing the infrastructure local communities need to tackle fuel poverty.

Secretary of State, Department of Business Industry and Skills

As the Secretary committed to economic growth, we propose:

1. That you continue to develop mechanisms to protect energy consumers working closely with stakeholders including FPAG, and particularly, Citizens Advice and Consumer Futures.
2. That you work with Ofgem to protect off-gas grid consumers by extending the responsibility for regulating fuels such as Liquefied Petroleum Gas and heating oil and the maintaining of Priority Service Registers, safety checks and payment options. We also propose you work with Ofgem to undertake an immediate review to ensure that those using fuels other than electricity and gas for heating their properties benefit from the same consumer protections.
3. That you address increasing levels of consumer energy debt by working with local authorities to develop specialist fuel debt services to operate at a local level.

Executive Summary

In England and Wales last winter, there were 31,100 excess winter deaths, up 29% from 2011/12⁷. These unacceptable deaths are caused in part by thousands of particularly vulnerable people feeling simply unable to afford to heat their homes enough to keep warm.

The circumstances of fuel poor households are more desperate than ever, and latest figures from Ofgem this November suggest the average annual dual fuel bill is £1,340⁸. We expect this figure to continue to rise. The problem is even more acute for those living in off-gas grid properties. Under the new Low Income High Cost (LIHC) definition homes using oil for central heating have one of the highest fuel poverty gaps – £1,055⁹.

Since 2005, consumer gas prices have risen by over 120%, retail electricity prices have risen over 75%, and the cost of liquid heating fuels has more than doubled in the UK. Over the same time, real household incomes have fallen significantly.

High energy bills cause stress and misery for many, and often ill health as well for those living in damp and poorly insulated properties. There is strong evidence of the link between fuel poverty and poor health and we would like to see a greater degree of cross-Government work to tackle fuel poverty as a result.

Despite the current media frenzy about energy price increases, lack of consumer trust and energy market transparency, and the intense political ‘heat’ created; we have seen no progress on ramping up assistance for fuel poor households. Following the review of ‘Green Levies’, the ECO elements designed to assist the poorest remain intact, but there are structural and administrative issues that must be addressed to improve the customer experience and ensure a free service is available for these vulnerable households. FPAG is also concerned that £500 million that was potentially available up to 2015 for solid wall insulation is no longer available and a percentage of that was expected to have been delivered in social housing.

FPAG has not been silent during this debate. We wrote to the Prime Minister (Appendix 2), demanding he consider the fuel poor in decisions. We also sent the Prime Minister and Chancellor recommendations for how they can show commitment to tackling fuel poverty, and reduce the number of excess winter deaths – which reached 31,100 last winter in England and Wales¹⁰.

Since our last annual report, the Government has published its intention to use a new definition for measuring fuel poverty in England, to identify the lowest income, paying the highest costs. This definition identifies fuel poverty as a structural problem based on the suggestion from the review by Professor Hills, replacing the previous 10% definition, whereby if more than 10% of a household’s income (after paying for housing) was used for energy, it was deemed to be fuel poor. FPAG welcomes this new definition, and the application of it to find those in the deepest fuel poverty (with the largest gap between their income and bills, and the energy they need to keep warm). However, those households no longer included by this measure must remain a prime target for income maximisation through the benefits system. For the sake of consistency in this report, all references to fuel poverty will be in relation to LIHC, unless otherwise stated.

⁷ <http://bit.ly/1bxVdrs>

⁸ According to an Ofgem estimate for November 2013 for an average dual fuel bill: <http://bit.ly/J9S1fr>

⁹ DECC, Fuel Poverty Detailed Tables 2011. <http://bit.ly/1grNovI>

¹⁰ <http://bit.ly/1bxVdrs>

In this report, we have focused on specific areas of support for the fuel poor, including: links to health, the Government's new fuel poverty strategy, funding for energy efficiency programmes, impacts on vulnerable off-gas grid consumers, income support, and financial support for the highest energy users.

Chapter 1: Shaping future policy and strategy

This year has been an important one for the development of future policy and strategy on fuel poverty in England. In July, the Government published its Framework for Future Action. Government now wishes to measure fuel poverty in England by implementing the recommendations from the Hills Review conducted in 2012 by adopting the LIHC indicator. The Framework also outlined how the Government intended to develop a future strategy on fuel poverty in 2014, and improve cross-Government co-ordination, which FPAG particularly welcomes. The Government has also announced a review of competition in the market, and taken some short term measures to moderate all household's bills in the next year by, on average, £50. And Ofgem has contributed a new consumer vulnerability strategy.

As the Government moves to implement the Energy Bill 2013, creating a new obligation for there to be a fuel poverty target and a strategy within the next year, it needs to pick up the pace and produce an ambitious forward-looking strategy because the problem of fuel poverty is urgent and the current approach does not appear to be making any substantive impact. FPAG wants to see a substantive increase in resources invested and reforms to the way that energy efficiency programmes are funded and delivered to ensure the Strategy is fair and effective. Because there is no up to date Government strategy for eradicating fuel poverty at present, FPAG is not able to see clearly how well the Government is actually doing, or which programmes actually make the most difference and deliver the best value for money. That makes it difficult for us to do our core job. The development of a clear strategy is long overdue and the decision to underpin this with legislative requirements in the Energy Bill 2013 should mean the Government can in future be held to account with more transparent governance.

Chapter 2: Fuel poverty and health impacts

Fuel poverty is a significant public health problem and contributes to considerable stress, illness and to excess winter mortality and cold-related deaths. According to a 2011 Report from the World Health Organisation¹¹, deaths from cardiovascular diseases are directly linked to exposure to excessively low indoor temperatures for long periods. It appears that 50 to 70% of excess winter deaths are attributed to cardiovascular conditions, and some 15 to 33% to respiratory disease.

An estimated 30% of winter deaths in Europe are caused by cold housing¹². Extrapolating this statistic against the most recent excess death numbers from last winter (2012/13), just over 9,000 deaths in England and Wales could be reduced by tackling cold homes.

¹¹ <http://bit.ly/1jRSmBI> [p 6]

¹² Ibid [p13]

This year, the Secretary of State for Health announced the ‘Living Well for Longer: A call to action to reduce avoidable premature mortality’ strategy with the goal of reducing mortality by 30,000 annually. This is a very welcome policy with a worthy objective. This is to be a cross-agency – Department of Health, NHS England and Public Health England (PHE) – initiative to reduce avoidable mortality due to preventable long-term illness and disability. However, with no clear duties imposed on these bodies, FPAG is sceptical of the outcome and is urging a renewed national drive by the health sector to address the unnecessary cost to the NHS of treating cold-related illness and to reduce health inequalities.

Chapter 3: Levy impacts on the fuel poor

The dominant loading of Government levies on electricity has created inequitable consequences for the poor and fuel poor who are in electrically-heated households. This imbalance demands consideration and ameliorating action.

To date, the review of energy policies has not addressed the wider affordability of bills. FPAG recommends Government should also ensure that the forthcoming Fuel Poverty Strategy and Heat Strategy address these households, for example through installing solid wall insulation, heat pumps and/or district heating in fuel poor homes.

Chapter 4: Cost of Living, Benefits, and Fuel Poverty

The transition to a Universal Credit benefit system is a fundamental change and taking place at a critical time when increases in the cost of living have far outstripped any rise in household incomes. Government is yet to publish an official impact assessment of the effect of the reforms as a whole, and the impacts of benefits changes to energy affordability – making it very difficult to assess the overall impact on claimants, particularly in relation to fuel poverty.

FPAG proposes that provisions are made to provide social tenants – who will be responsible for passing housing benefit payments on to their landlord for the first time – support with managing their money, including paying energy bills.

Chapter 5: Progress on the Energy Company Obligation

FPAG is extremely concerned that ECO, the only policy which currently enables low-income and vulnerable households in England to benefit from free or subsidised energy efficiency measures, has been cut in recent weeks. Given the existing, anticipated and enduring nature of energy price increases, it would be manifestly perverse if the Government chose to ‘roll back’ this programme, especially at the expense of other so-called ‘green taxes’ which are neither green or help reduce energy prices. Instead, the Government should be massively expanding resources directed towards energy efficiency.

In FPAG’s view, the ECO Carbon Saving Communities Obligation (CSCO) and Home Heating Cost Reduction Obligation is one of the most cost-effective ‘green levies’ and has a clear socially beneficial outcome. 17 pence spent on an average Affordably Warmth (AW) energy efficiency measure under ECO will reduce the energy bill by £1 over the lifetime of the measure¹³.

¹³ <http://bit.ly/1bGS8Kg> [p3 for August 2013]

Chapter 6: Data Sharing and Warm Home Discount

The Warm Home Discount (WHD) scheme has successfully set up data sharing arrangements between energy suppliers and the Department for Work and Pensions (DWP) to facilitate direct payment into the electricity accounts of certain Pension Credit recipients. FPAG considers there is considerable potential to extend these arrangements to other benefit recipients to make sure either energy efficiency measures or bill discounts are automatically applied to those most in need.

A renewed sense of urgency is required to ensure greater use of data sharing benefits the fuel poor in particular and all consumers in general and FPAG proposes that the very successful WHD programme should be extended to the wider benefit recipients entitled to receive Cold Weather Payments (CWP).

Chapter 7: Winter Fuel Payment

The universal Winter Fuel Payment (WFP) benefit is a substantial cost; £2.12 billion for 2012. FPAG has explored some options for revising the scheme and detail the indicative savings, though none of appear to merit a revision of the scheme.

FPAG's conclusion, therefore, is that of the options explored to date, none appears to be without risk. We recognise that spending on WFP over the current Parliament will have served an important purpose for certain households. But it is also clear that the total sum of around £10 billion could have been directed to tackling fuel poverty more directly, covering the cost of retrofitting millions of fuel poor homes. For this reason, FPAG will continue to explore this matter particularly in the context of the Government's overall fuel poverty strategy and the balance it strikes between investment in energy efficiency and income support measures. Should Government make any proposals to adjust the operation of the WFP, FPAG would expect to be fully consulted because it is clear that this funding is intended to be earmarked for fuel-related spending. Where any adjustments to the system are introduced to better target assistance where it is most needed, remaining funds should immediately be reallocated to ring-fenced energy efficiency investment for the fuel poor.

Chapter 8: Off-gas-grid Households

Government's energy policy costs are hitting the all-electric domestic consumer hardest. All electric households have one of the lowest average Standard Assessment Procedure (SAP)¹⁴ ratings of 31, compared to the average for all fuel poor gas households of 50.4. 30% of off-peak night rate electric heating tariffs are required to just cover costs associated with Government policy. Further increases are likely, and one supplier's recent off-peak price increase (October 2013) reveals a rise of 35.6% in just 13 months.

Fuel poor households not connected to the gas grid generally live in some of the most thermally inefficient properties – for example, solid fuel households have a SAP rating of 28.8 – almost half the SAP of fuel poor gas households with individual fuel poverty gaps double the average, typically over £1,000. For this reason, and the lack of clarity around the unregulated nature of some fuels, FPAG has requested a review of the potential for regulatory oversight being extended to off-gas-grid fuels and also covering Priority Service Registers, safety checks and payment options.

¹⁴ <http://bit.ly/1iZBJWU>

Chapter 1 – Shaping the Fuel Poverty Strategy and Policy

This year has been an important one for the development of future policy and strategy on fuel poverty in England. In July, the Government published its Framework for Future Action. Government now wishes to measure fuel poverty in England by implementing the recommendations from the Hills Review conducted in 2012 by adopting the LIHC indicator. The Framework also outlined how the Government intended to develop a future strategy on fuel poverty in 2014, and improve cross-Government co-ordination, which FPAG particularly welcomes. The Government has also announced a review of competition in the market, and taken some short term measures to moderate all households' bills in the next year by, on average, £50. And Ofgem has contributed a new consumer vulnerability strategy.

As the Government moves to implement the Energy Bill 2013, creating a new obligation for there to be a fuel poverty target and a strategy within the next year, it needs to pick up the pace and produce an ambitious forward-looking strategy because the problem of fuel poverty is urgent and the current approach does not appear to be making any substantive impact. FPAG wants to see a substantive increase in resources invested and reforms to the way that energy efficiency programmes are funded and delivered to ensure the Strategy is fair and effective. Because there is no up to date Government strategy for eradicating fuel poverty at present, FPAG is not able to see clearly how well the Government is actually doing, or which programmes actually make the most difference and deliver the best value for money. That makes it difficult for us to do our core job. The development of a clear strategy is long overdue and the decision to underpin this with legislative requirements in the Energy Bill 2013 should mean the Government can in future be held to account with more transparent governance.

FPAG wishes to acknowledge and appreciates the collegiate style adopted by DECC as we jointly work to progress the strategy development.

New legal obligations are proposed in the current Energy Bill which require a new fuel poverty target and strategy to be produced by the Government after the Bill receives Royal Assent, which is expected in the current parliamentary session.

FPAG welcomes these moves, and also the review of competition in the energy market which was announced by the Government in October. FPAG notes the Government's announcements in November 2013 of its intentions, subject to consultation, to alter a number of elements of the ECO programme in terms of scale and duration, as well as changes to measure types under the CERO, particularly minimum levels of solid wall installation obligations.

We note the Government is preserving the proportion of the programme of energy efficiency measures which are allocated to 'affordable warmth' and the area-based low income community aspect of the Obligation, and thus for lower income households. Although both aspects are now proposed to be continued until 2017, we do not regard this and other announcements in December 2013 as amounting to a future strategy of any kind.

We want to see Government's proposals for a target which will tackle the scale of fuel poverty.

We want a road map which sets out clearly what is being delivered, by whom, when and how.

In the new strategy, FPAG wants to see:

- Enhanced resources
- Improved co-ordination of programmes
- A much stronger role for health and public health service
- Much tighter independent governance scrutiny and challenge than has hitherto been the case
- A reformed system for funding energy efficiency programmes in England so that the regressive impacts are eliminated
- Government consider whether energy suppliers should continue to have the leading or same role in delivery

Shaping the future strategy

We welcome the Government announcement in its National Infrastructure Plan (December 2013) that the fuel poverty strategy will be published in spring 2014. There remains much for the Government to do to develop the strategy in the next few months and FPAG is keen to be able to offer advice on questions including:

- What should the target of the strategy be, and how should it be framed?
- What period of time should the strategy cover?
- What action should be taken, and by whom?
- What implications are there for existing initiatives and programmes?
- How should programmes to tackle fuel poverty which account for around £1 billion per annum drawn from customer contributions, be governed and scrutinised?

To help the Government make progress on these questions, FPAG submitted a Position Statement in advance of the publication of the Framework for Future Action in August 2013. We also led a workshop in October 2013 including representatives of energy companies, regulators, Government departments, local councils, consumer groups and environmental charities as well as academics and researchers.

FPAG members' views on a range of issues relating to the development of the Government's strategy on fuel poverty were gathered. In advance of providing formal advice on the new strategy, most members of FPAG agree that in the future strategy:

- Priority should be given to helping those in the most severe fuel poverty and several members of FPAG believe households living off gas grids should be prioritised.
- A strategic programme of action will probably need to span several parliaments, and it would be beneficial to have cross-party consensus.
- Targets, incentives and delivery plans should be designed to ensure that the most energy inefficient fuel poor properties are tackled first.
- If there are subsidiary targets going forward, there should be targets for each Government department to deliver. There is also strong support within the group for clear targets for other parties such as local authorities and landlords, as well as for energy suppliers so as to incentivise their involvement in delivery. Clearly if organisations are asked to achieve specific targets they will also require the capacity and resources to do so.

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- There should be a robust role for local health and well-being boards and their plans for tackling excess winter deaths and cold-related mortality should be aligned with the strategy.
- Reflecting the fact that fuel poverty is significant in the private rented sector, enforceable targets should be set for landlords.
- A range of income improvement measures are supported by FPAG members, though increasing benefit take up has the strongest support. There is also some support for measures to improve income/take-home pay for those in work. FPAG members would like to see a significant role for Benefit Entitlement Checks and more data-sharing through primary legislation to improve take up of the WHD amongst non-pensioner households.
- The strategy should have stronger governance arrangements and independent scrutiny to hold Government and delivery bodies to account.

Alongside the development of the strategy, Group members would also like to see:

- A review of the role of energy suppliers in delivery and consideration of where the responsibility for leadership and co-ordination should sit. There is concern that energy suppliers are being used to raise funds for programmes via consumer bills, resulting in an increasingly ‘confused’ role for competitive energy suppliers as a de facto agent of Government and social policy.
- Reforms to consumer engagement and delivery, to simplify and make more efficient.
- Evidence that competition is working for fuel poor households. FPAG notes that on 23 October 2013 the Prime Minister said in Parliament that “We’ll be having a proper competition test carried out over the next year to get to the bottom of whether this market can be more competitive.” We understand Ofgem is leading in conducting this review with Office of Fair Trading (OFT) and FPAG would expect that the review will consider whether the market is working effectively for fuel poor households and if not what can be done to change this.

FPAG will be focusing its discussions in the coming months on the following matters in order to give more detailed advice to Government.

Resourcing the new strategy

It is clear that the present level of resources is not making a sufficient difference to the number of households in fuel poverty in England. Significantly more resources will be required in future. The Government’s Fuel Poverty Framework identifies the ‘fuel poverty gap’ in 2010 as £1 billion or £405 per household. This means that those households would either need to be better off financially by at least £405 per year or investment in energy efficiency measures for them would reduce their energy bills by at least that amount per year. The present programmes are not achieving anything like that impact. FPAG, therefore, urges the Government to tackle the more fundamental issue of reducing the amount of energy used to heat the homes of the fuel poor.

We challenge any assumption that Government cannot afford to aggressively tackle fuel poverty. We note that over the next 15 years, the Exchequer will receive £63 billion from the CPF and EU ETS auctions, much of which will come from domestic energy consumers’ bills. Government estimates these carbon taxes will add £67 per year to the average household energy bill by 2020.

That is an average of £4 billion a year that will not be available for consumers to spend keeping warm, or for companies to invest in cleaner generation and smart grids. It also reduces consumer spending power more generally, which is more keenly felt in deprived communities. Increasing investment in energy efficiency as a result of this increase in revenue could provide many more fuel poor households with warmer homes that are affordable to heat, and take a major step towards meeting our legal obligations on fuel poverty and carbon reduction. It will also result in many ancillary benefits including improved physical and psychological health, higher energy efficiency standards, carbon reduction and economic growth.

However, the Government must recognise that energy efficiency programmes for low-income households cannot rely on market mechanisms alone. We would like to see reform of the approach to resources (as well as a step change in the level of resources). If market mechanisms are to continue to be relied on then a more integrated approach should be considered so that market-based Green Deal and ECO policies can be deployed better alongside publicly-funded programmes. For example, the Home Energy Efficiency Programme Scotland combines its £65 million with £135 million of ECO support (which with changes to CERO could be placed at risk, as this would have blended funding for solid wall insulation, which with a low minimum may affect the scheme) and £70 million Wales Government funds to match ECO and link to their NEST programme. It will be important to monitor the impact of the proposed changes to the CERO element of ECO on these programmes.

Short-term actions

FPAG recognises that the Government is developing a longer-term strategy, but there remains a compelling need to address a problem that grows with every energy company price increase. FPAG calls upon the Government to do more in the short-term to help poor and fuel-poor households. FPAG notes the announcements on 2 December 2013 that households will benefit, on average, by £50 in 2014 as companies have agreed to reduce prices (or moderate price increases) and deliver a rebate reflecting consumers' contributions to the costs of WHD. FPAG wants the Government to go further by:

- Extending WHD to all benefits recipients who are eligible for CWP. This would enable the payments to go automatically to more households and do away with the wide variety of company run schemes for providing the WHD. It would also save money in administration and, if tax payer funded, could be simply provided by the Government instead of energy retailers in future years.
- Reduce the complexity and bureaucracy of energy efficiency schemes in the ECO programme to save money and speed up delivery. Section 5 of this report outlines further suggestions on this.

Chapter 2 – Fuel poverty and health impacts

FPAG calls upon the Prime Minister to declare a strategic intent for an ambitious fuel poverty strategy that will seek to reduce the number of excess winter deaths and cold-related mortality and for it to be a multi-department initiative led by DECC.

This is to build on the intent already declared by the Secretary of State for Health who recently announced the ‘Living Well for Longer: A call to action to reduce avoidable premature mortality’ strategy with the goal of reducing mortality by 30,000 annually.

The links between living in a cold home and respiratory and cardiovascular illness are well understood. On 1 April 2013, responsibility for public health in England moved to local authorities. PHE now oversees public health preparation for extreme weather events – publishing the Cold Weather Plan for England and overseeing health and wellbeing in the built environment, including housing.

DECC is in the process of developing a new national fuel poverty strategy and now is the appropriate time to incorporate health and wellbeing into both the language, ethos and key performance indicators of that strategy.

Fuel poverty is a significant public health problem in the UK. It contributes to considerable illness and to excess winter mortality – which last winter, amounted to 31,100 deaths¹⁵. For many years, the problem of poor quality badly insulated housing combined with unaffordable and rising fuel costs has contributed to significant and avoidable health problems and exacerbated health inequalities.

In 2011, the Marmot Review Team released ‘The Health Impacts of Cold Homes and Fuel Poverty’ report¹⁶. The report reviews the evidence for the long-term negative health impacts of living in cold homes and concludes: “many different population groups are affected by fuel poverty and cold housing, with various levels of health impacts relating to different groups.” Vulnerable children and the elderly are most at risk of developing circulatory, respiratory and mental health conditions as a consequence of cold, damp homes.

An estimated 30% of winter deaths in Europe are caused by cold housing¹⁷. Extrapolating this statistic against the most recent excess death numbers from last winter (2012/13), just over 9,000 deaths in England and Wales could be reduced by tackling cold homes.

The ‘Hills Fuel Poverty Review’ found that, “Thirty-four per cent of fuel poor households contain someone with a disability or long-term illness, 20 per cent have a child aged 5 or under, and 10 per cent a person aged 75 or over.¹⁸ Vulnerable populations should be targeted for interventions making it easier for them to stay warm. The National Institute for Health and Clinical Excellence (NICE) is currently reviewing the evidence on this topic and guidance is expected in 2014/2015.

¹⁵ <http://bit.ly/1bxVdrs>

¹⁶ Geddes, I. et al. 2011. The Health Impacts of Cold Homes and Fuel Poverty. Marmot Review Team.

¹⁷ <http://bit.ly/1jRSmBI> [p13]

¹⁸ Hills, J. 2012. Getting the measure of fuel poverty: Final report of the Fuel Poverty Review. CASE Report 72. March 2012.

Local action: Improving fuel poverty, health & wellbeing

On 1 April 2013, responsibility for public health in England moved to local authorities. PHE now oversees public health preparation for extreme weather events – publishing the Cold Weather Plan for England – as well as overseeing health and wellbeing in the built environment, including housing.

In the ‘Public Health Outcomes Framework for England, 2013-2016’ PHE includes fuel poverty as an indicator for Health Improvement. Some Health and Wellbeing Boards, through their Joint Strategic Needs Assessment and Joint Health and Wellbeing Strategies, have already identified fuel poverty as an indicator for health improvement. However, according to Age UK¹⁹ the number of authorities that have committed to making fuel poverty a priority could be much greater, and could recognise the many co-benefits offered to local communities by tackling poor quality housing.

We recommend that fuel poverty and its impact on health and inequality should be high on the agenda for local authorities and Health and Wellbeing Boards. Directors of Public Health located in local authorities are the ideally placed link between sectors to recognise the co-benefits tackling fuel poverty offers – which could range from keeping ill and elderly people healthy, to reducing the potential mental illness implications of being unable to afford the heating needed to keep warm.

Better co-ordinated local action on fuel poverty can help:

- Early identification of vulnerable people known to health professionals but whose fuel poverty has not been identified
- To reduce pressures on hospital beds and NHS resources.

The UK Health Forum in partnership with other NGOs and Government departments and agencies, will be launching an updated web-based Fuel Poverty & Health toolkit before the end of 2013. This toolkit is designed for local authorities, public health professionals and the voluntary and community sectors to provide evidence, links to resources and relevant case studies to support them in developing local strategies to help fuel poor households.

National action: Making the links for health

The ‘Living Well for Longer’²⁰ strategy is to be a cross-agency – Department of Health, NHS England and PHE – initiative to reduce avoidable mortality due to preventable long-term illness and disability. The reduction of fuel poverty and the associated morbidity and mortality resulting from living in cold damp housing could have a significant positive impact on overall premature mortality in England.

¹⁹ Age UK. 2013. Are Health and Wellbeing Boards taking fuel poverty seriously? A snapshot of Strategy Reports, 2013.

²⁰ <http://bit.ly/1f9rfP2>

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Additionally, as part of its on-going development and move towards a focus on prevention, FPAG would encourage NHS funding and commissioning to shift priority from acute services to preventative measures, including fuel poverty alleviation.

DECC is in the process of developing a new national fuel poverty strategy and now is the appropriate time to incorporate health and wellbeing into both the language and ethos of that strategy. Likewise, fuel poverty should be seen as a key issue in national health and wellbeing strategies in the future.

DECC's move to value the health impact of energy efficiency through the so-called 'HI-DEEM' model is very welcome. This model was explained in the DECC's Framework for Future Action in July 2013. FPAG is encouraged by the results thus far, which demonstrate beyond a doubt the value for money of investment in warmer homes. FPAG urges DECC to work closer with the Department of Health to sure the positive health returns from tackling fuel poverty are reflected in decision making – leading to a stronger economic case for improving the homes of the fuel poor.

Chapter 3 – Levy Impacts on Poor and Fuel Poor Consumers

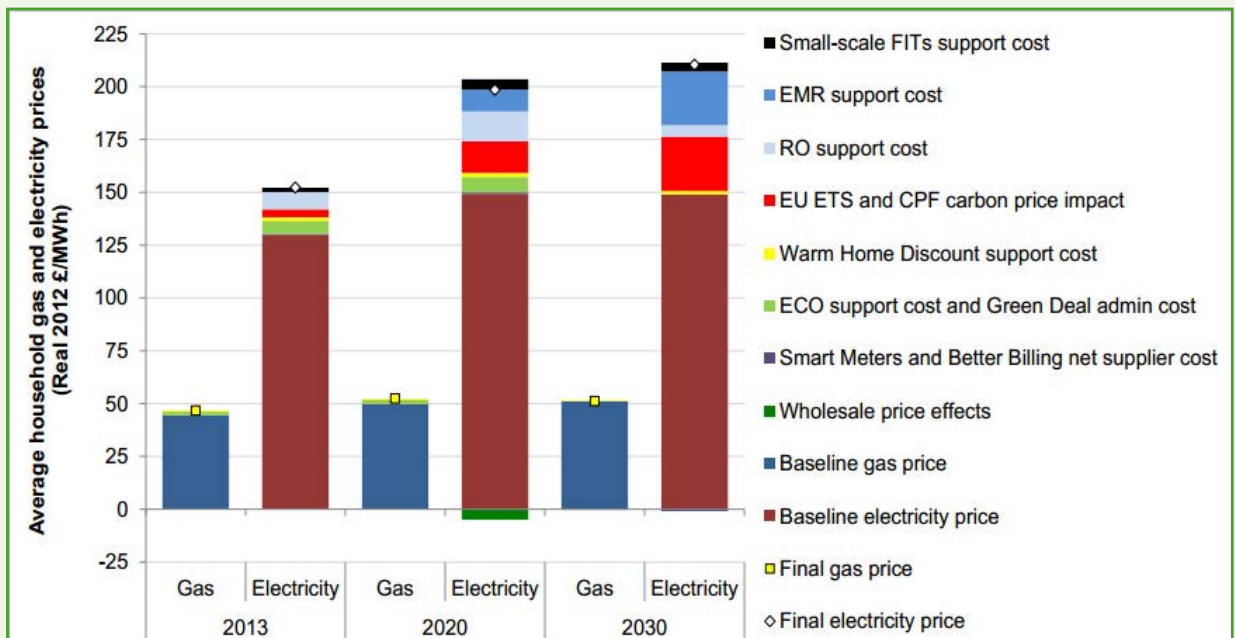
The dominant loading of Government levies on electricity has created inequitable consequences for the poor and fuel poor who are in electrically-heated households. This imbalance demands consideration and ameliorating action.

To date, the review of energy policies has not addressed the wider affordability of bills. FPAG recommends Government should also ensure that the forthcoming Fuel Poverty Strategy and Heat Strategy address these households, for example through installing solid wall insulation, heat pumps and/or district heating in fuel poor homes.

There are a number of policy initiatives to address environmental and social objectives which are funded via domestic energy prices. In March 2013, DECC published its own analysis – see Figure 1 and Table 1. This shows that over and above the rising cost of wholesale energy and network requirements, there is a worrying pressure from three major levies addressing Electricity Market Reform (EMR):

- the Renewables Obligation (RO)
- the EU ETS
- the CPF.

Figure 1. Average household gas and electricity prices with added levies



Source: DECC 2013

Table 1. Estimated average impact of energy and climate change policies on household gas and electricity prices (incl VAT)

Real 2012 £/MWh	2013		2020		2030	
	Gas	Electricity	Gas	Electricity	Gas	Electricity
Estimated average price without policies (inc VAT)	44	130	50	150	51	149
Wholesale energy costs	26	57	30	66	30	62
Network costs	8	35	9	43	11	46
Other supply costs and margins	8	32	9	34	9	35
VAT @ 5%	2	6	2	7	2	7
Estimated impact of policies (inc VAT)	2	22	3	49	0.1	61
ECO support cost ²¹	2	6	2	7	0.005	0.02
Warm Home Discount support cost	0.4	2	0.4	2	0.4	1
Smart Meters net supplier cost	0.1	0.4	0.2	1	-0.3	-1
Better Billing supplier cost	0.002	0.01	0.002	0.01	0.002	0.01
EU ETS carbon cost	-	2	-	4	-	4 to 26
CPF carbon cost	-	1	-	11	-	22 to 0
RO support cost	-	8	-	14	-	5
EMR support cost	-	-	-	10	-	25
Small-scale FITs support cost	-	2	-	5	-	4
Wholesale price effects	-	0.1	-	-5	-	0.1
Estimated average price with policies (inc VAT)	47	152	52	198	51	210
% impact (on baseline)	5%	17%	5%	33%	0%	41%

Source: DECC 2013. Figures may not add due to rounding, where figures would round to zero one significant figure is shown. All policy impacts include an additional 5% VAT impact.

As part of its work for FPAG, Consumer Futures commissioned Centre for Sustainable Energy (CSE) to research the impact of energy policies on low income households. The study looked in particular at those not likely to benefit from policies and to explore potential solutions to compensate those worst affected²¹.

The study found that electricity is subject to the majority of policy costs, for example, Contracts for Difference (CfDs), carbon taxes, feed-in tariffs. Households reliant on electricity for heating are likely to have higher than average levels of electricity consumption and therefore bear a disproportionate share of these costs. These households might expect to receive measures to offset the particularly high costs they face, but this does not appear to be the case. The research found that a lower proportion of electrically-heated households (27%) benefit directly from policies when compared to all households (40%). This is likely to be due to low take up of energy efficiency and renewable measures by these households.

Across all households that do not benefit from energy policy, electrically-heated homes pay an average of £282 per year towards policies, whilst households using non-metered fuels experience a decrease (regardless of whether or not they benefit from policy) because the benefits of products policy outweigh the total policy costs for this group of consumers.

In 2020, the CSE research found that electrically-heated households:

- Represent 10.5% of the total share of heating fuel by type
- Pay 18.9% of the total cost of domestic energy policy
- Only receive 6.8% of all of the energy efficiency measures deployed.

Furthermore, electrically-heated householders contribute a significant amount towards large scale infrastructure projects designed to deliver energy security and renewable energy.

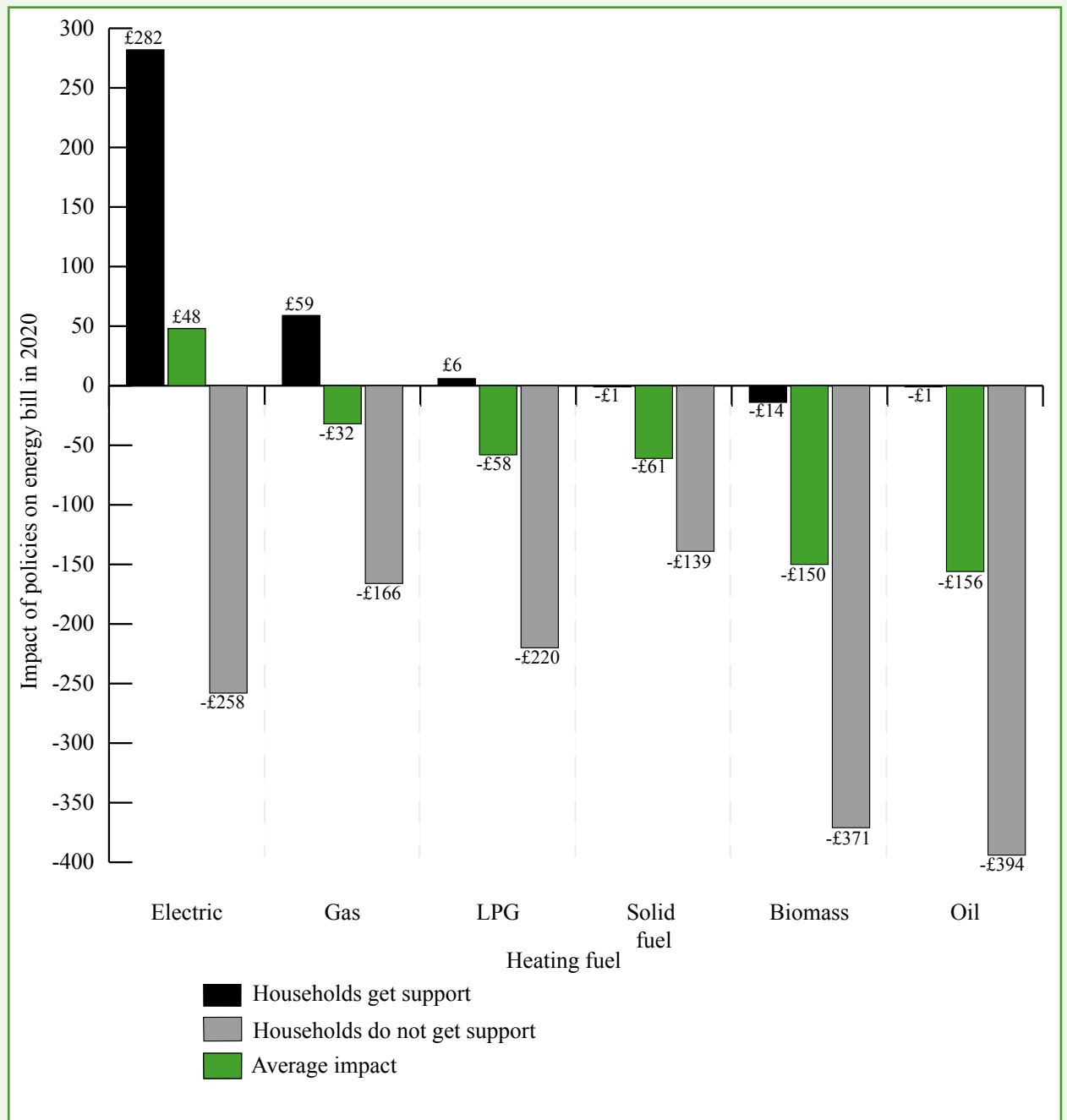
When combined, EMR policy and the historical legacy of the RO represent the largest share – some 35% – of total policy costs of £4.8 billion in 2020.

²¹ CSE, 2013. The hardest hit: going beyond the mean, Consumer Futures

Policy Impacts on Bills for the Hardest Hit Households

Figure 2 shows the impact of policies on 2020 household energy bills by household heating fuel. Consumers that use electricity to heat their homes see an average increase in their bill relative to the ‘no policy’ bill, while all other consumers see a decrease on average. Furthermore, the difference between electrically-heated ‘winners’ (defined as households that ‘get support’ and benefit from policy) and electrically-heated ‘losers’ (households that do not get any support) is stark, at over £500.

Figure 2. CSE Research on the Impact of policies on energy bills in 2020 by heating fuel



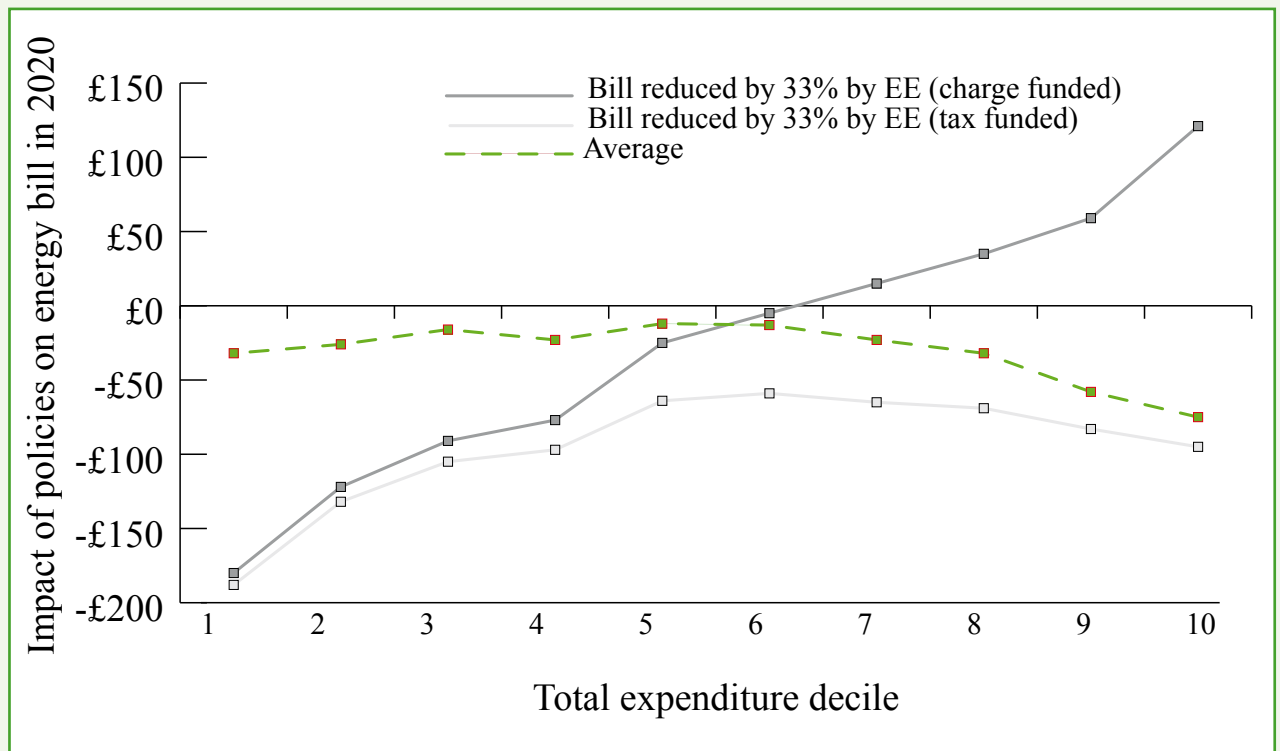
Off-setting the impact of policies on the ‘hardest hit’

CSE research found that electrically-heated, purpose built flats and all electrically-heated properties that have occupants over 65 are groups that are particularly hard hit. There are 1.68 million households in the two groups – both of which have lower than average income and expenditure.

The most cost effective and fairest way of protecting these households involved the installation of energy efficiency measures. The research modelled the impact of reducing their energy costs by an average of 33% through energy efficiency – see Figure 3. Savings of 33% are fairly typical of deep retrofit programmes – the figures was therefore chosen to illustrate the distributional impact of a targeted programme.

Further work is needed to quantify the cost of energy efficiency measures required to protect the ‘hardest hit’.

Figure 3. CSE Research on the Impact of policies on energy bills in 2020 according to total expenditure



Policy Implications and Regressive Levies

As noted elsewhere in this report, the Government must also address the most regressive levy, the CPF. The CPF scheme must be considered and reformed as a priority. Together with the auctioning of EU ETS permits to fossil fuel generators, the CPF will raise around £2 billion in 2013 rising to nearly £7 billion by 2027 – an average of £4 billion per year for the Exchequer. Whilst both these measures will lift the market price for energy (and hence the consumer will almost certainly pay more in the short to medium term), the CPF contributes to no overall carbon emission reductions. The Government should therefore accept that, if the CPF has to be retained (as Government has indicated that by removing the programme altogether this may require higher CfD payments), the revenue from the CPF must be recycled back into a much more ambitious energy efficiency programme.

This in turn would lessen the concern that UK energy consumers are paying over the odds for the price of carbon compared to the rest of Europe at a time when low carbon generators are also receiving a lucrative windfall (whilst the Treasury directly benefits from the proceeds). By redirecting this funding it could substantially reduce fuel poverty and bring about a major opportunity for further jobs within the energy efficiency industry. In addition, the majority of the costs of the Government's EMR effort are likely to be recovered through electricity bills. The Government has therefore already confirmed that funding raised from levies on consumer energy bills, under the Levy Control Framework (LCF), will rise to £7.6 billion in real terms in 2020-2021 and could equate to £9.8 billion a year when the final limit is set in nominal terms on revised Office for National Statistics (ONS) and Office for Budgetary Responsibility (OBR) numbers. The LCF budget is currently circa £2.35 billion.

Finally, the planned exemption for energy intensive users from the costs arising from CfD must also be considered an urgent priority and funded out of taxation. The Government has already developed an exemption for certain energy intensive industries from the CPF and EU ETS. These are paid for via taxation and therefore are more progressive. Now however, energy intensive industries may be able to offset their share of the substantial additional costs arising from DECC's new CfD.

Whilst competitive industry is clearly important to the UK Government, this additional step will have a cost elsewhere and is likely to be funded by other energy consumers. Millions of households are struggling with soaring energy costs and the poorest households could well end up paying a higher share of the policy costs despite emitting the least emissions unless this is addressed.

The Government should make sure that its forthcoming Fuel Poverty Strategy and Heat Strategy develops policies for compensating households hardest hit by its energy policies, for example by installing solid wall insulation, heat pumps and/or district heating. It should also explore tariff options, such as re-balancing policy costs between electricity and gas consumers, and interventions in the new capacity market to encourage the installation of energy efficiency measures in electrically heated homes.

Chapter 4 – Cost of Living, Benefits, and Fuel Poverty

Summary

The transition to a Universal Credit benefit system is a fundamental change and taking place at a critical time when increases in the cost of living have far outstripped any rise in household incomes. Government is yet to publish an official impact assessment of the effect of the reforms as a whole, and the impacts of benefits changes to energy affordability – making it very difficult to assess the overall impact on claimants, particularly in relation to fuel poverty.

FPAG proposes that provisions are made to provide social tenants – who will be responsible for passing housing benefit payments on to their landlord for the first time – support with managing their money, including paying energy bills.

In 2011-12, 17% of the UK population were living below the poverty line – an increase of 1% since 2010-11.²² Children, working age adults and those aged 85 or more were most likely to be living below the poverty line. The link between low household income and a household's ability to afford to heat their home to healthy levels is well established. These statistics are particularly concerning, as children and adults aged 85 or over are among those most at risk of suffering health problems as a result of living in cold homes.

In 2011, under the Government's LIHC indicator, 2.39 million households were living in fuel poverty in England, equivalent to 11% of the population.²³ Vulnerable households were more likely to be living in fuel poverty than other households, with 16% vulnerable households defined as fuel poor (containing older people, children, and long-term sick and disabled people). 42% of fuel poor households were in the lowest income decile, with an average fuel poverty gap of £429. 100% of fuel poor households came from the four lowest income deciles.

Fuel costs and income

Since 2007, the average domestic electricity bill has increased by 31% while the average domestic gas bill has increased by 55% over the same period. From 2011-2012, the average gas bill increased by 11.3% and the average electricity bill by 5.7%.²⁴ These increases are significantly greater than any increase in average household incomes.

²² DWP (2013) Households below Average Income: An analysis of income distribution 1994/5 – 2011/12. Poverty line defined here as income below 60 per cent of median income after housing costs.

²³ DECC (2013) Annual Report on Fuel Poverty Statistics 2013. This figure relates to the new Low Income High Cost definition of fuel poverty.

²⁴ DECC (2013) Average annual electricity bills by home and non-home supplier and DECC (2013) Average annual gas bills by home and non-home supplier.

During the 2011-12 tax year, average earnings for full-time employees rose by just 1.4%²⁵ and the minimum wage by 1.8%.²⁶ Similarly, in the 2012 Autumn Statement, the Chancellor announced that all benefits would be uprated by a maximum of 1% for the next three years. An increasing number of households now struggle to meet essential expenses, including energy and food bills. Between February and June 2013, Citizens Advice reported a 78% increase in the number of enquiries to Bureaux regarding food banks.²⁷

Welfare reform

The welfare system in the UK is currently undergoing its most significant reform since the Beveridge Reforms of the 1940s. The aim is to simplify the benefits system, make work pay and reduce public expenditure in this area. While FPAG fully recognises the need to ensure the most efficient, fair and effective use of limited resources, the Government must ensure it fully understands the implication of such significant change.

FPAG is concerned that the National Audit Office²⁸, on 13 November 2013, predicted increased consumer utility bills, but that Government does not know by how much or whether the bills will be affordable – a fundamental issue raised in previous FPAG annual reports. Roll-out of many of the welfare reforms has already commenced, and in some cases been completed. These include:

- Changes to benefits designed to cover essential expenses, such as housing benefit and council tax support. For example, an estimated 660,000 people will receive up to 25% less housing benefit than previously if they are considered to be under-occupying their home. These households are expected to receive on average £14 less per week in support for housing costs than previously²⁹.
- Stricter requirements and conditions placed on claimants in order to receive certain benefits, resulting in more claimants receiving financial penalties, or sanctions, for failing to meet their conditions.
- Changes to how benefits are uprated each year and the introduction of an overall cap on the amount of benefit a household can receive. The benefit cap is expected to affect 56,000 people, with affected households losing an average of £93 per week³⁰.
- Changes to benefits for people who are affected by ill health and/or disability. For example, Disability Living Allowance (DLA) is being replaced with a new benefit called the Personal Independence Payment (PIP). It is expected that over 600,000 fewer people will qualify for PIP than would have qualified for DLA³¹.

²⁵ Office for National Statistics (2012) 2012 Annual survey of Hours and Earnings, 2012 provisional results

²⁶ Figure calculated using data on historical rates from <http://bit.ly/1h2BCoZ>

²⁷ Citizens Advice (2013) Press Release: Number of people seeking foodbank help is “bad and getting worse”

²⁸ Infrastructure investment: the impact on consumer bills <http://bit.ly/1cTUQPk>

²⁹ DWP (2012) Housing Benefit: Under occupation of social housing. Impact Assessment.

³⁰ DWP (2012) Benefit Cap (Housing Benefit) Regulations 2012: Impact assessment for the benefit cap

³¹ DWP (2012) The Government’s response to the consultation on the Personal Independence Payment assessment criteria and regulations

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- In addition, the length of time over which a claimant can receive contributions-based Employment and Support Allowance (ESA) has been limited to one year. Depending on household income, at the end of the year some will be able to move on to the means-tested element of the benefit, losing on average £36 per week, while those who are not eligible for the means-tested element will lose £100 per week³².

It is also important to note that while many households may be able to manage to adjust to one or two of these changes in isolation, some will be forced to adapt to multiple changes over many years and this will be far more difficult.

The Government is yet to publish an official impact assessment of the combined effect of the reforms as a whole, making it very difficult to assess the overall impact on claimants. It is clear, however, that many households in receipt of benefit income will be at an increased risk of financial difficulty, whether this is through a reduced household income or due to financial capability issues arising from new payment arrangements. This could entrench and widen the gap for households experiencing fuel poverty.

In its last annual report, FPAG recommended Government should conduct an assessment of the impact of welfare reform on fuel poverty – disappointingly, this has not yet been carried out. As a priority, FPAG recommends Government should consider the impact of welfare reforms on fuel poverty. FPAG does not see how the Government can prepare a meaningful Fuel Poverty Strategy in 2014 without a view of the impact of the welfare reform programme.

Benefit Entitlement

Many of those who qualify for benefit support do not claim benefits, due to lack of understanding or other difficulties. Where fuel poverty support is linked to benefit entitlement, FPAG is concerned that not all those who are entitled to benefits are actually claiming them. FPAG welcomes a simplified benefits system under Universal Credit, and encourages Government to provide additional support with the transition to ensure all of those who are eligible for the benefit, receive their entitlements.

³² DWP (2011) Time Limiting Contributory Employment and Support Allowance to one year for those in the work-related activity group: Equality impact assessment

Chapter 5 – Progress on the Energy Company Obligation

FPAG is extremely concerned that ECO, the only policy which currently enables low-income and vulnerable households in England to benefit from free or subsidised energy efficiency measures, has been cut in recent weeks. Given the existing, anticipated and enduring nature of energy price increases, FPAG supports the need to roll back policy costs where possible, particularly given their often regressive nature. However, FPAG believes that there are other so-called ‘green taxes’ which are neither green nor help reduce energy costs which could have been rolled back in place of this programme³³. Instead, the Government should be massively expanding resources directed towards energy efficiency.

There are two elements of ECO being specifically targeted to the fuel poor and other low-income households – the AW and CSCO obligation. These have a combined anticipated value of some £540 million per year. FPAG does recognise that these aspects of ECO have not only been retained but extended for another two years on a pro-rata basis in the recent proposals this December. In FPAG’s view, the ECO AW obligation is one of the most cost-effective ‘green levies’ and has a clear socially beneficial outcome. 17 pence spent on an average AW energy efficiency measure under ECO will reduce the energy bill by £1 over the lifetime of the measure³⁴.

FPAG does recognise that by reforming the current ECO CERO, it will allow obligated parties to install lower cost energy efficiency measures, with the intention of passing on these cost reductions to consumers. FPAG believes subsidies under CERO for easy to treat measures in particular should be directed at low income homes over able to pay households.

Changes to CSCO will also allow householders in a larger number of deprived areas to benefit. However, changes to a programme such as ECO part-way through are not ideal as they bring added risk and uncertainty for the parties involved, which in itself comes at a cost. Fairness and regulatory certainty in any economy is vital and whatever the changes to the scheme, Government must take care to ensure equity across energy suppliers, who are all at different stages in terms of progress towards the current targets. This will be critical in ensuring equity in terms of the bill savings that each supplier’s customers can expect to make.

There are also other changes that could still be made and which would be preferable to any reduction, which FPAG will note when the Consultation on these changes to ECO becomes available. These include:

³³ Of far greater concern to households (and therefore Government) should be the most regressive levy, the CPF. The CPF scheme must be considered and reformed as a priority as a result of the Green Levy Review. Together with the auctioning of EU emissions trading scheme permits to fossil fuel generators, the CPF will raise around £2 billion in 2013 rising to nearly £7 billion by 2027, an average of £4 billion per year for the Exchequer.

Whilst both these measures will lift the market price for energy (and hence the consumer will almost certainly pay more in the short to medium term), the CPF contributes to no overall carbon emission reductions.

³⁴ <http://bit.ly/1bGS8Kg> [p3 for August 2013]

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- Opportunities for next phase of ECO, which could also better assist the fuel poor by a move back to deemed scoring on a per measure/per property basis (using actual RdSAP data from ECO1). This would remove the current opportunity for cherry-picking that exists under ECO of those properties where greatest savings can be made, therefore helping to minimise instances of those who are eligible not receiving assistance. This would also make it far easier for ECO funding to be committed to projects in advance, helping local authorities upgrade their housing stock. The customer journey for vulnerable householders is a concern and this change should be implemented for the AW target in particular.
- The DWP should provide pre-installation verification of ECO AW eligibility for suppliers as an extension of the Government's current Energy Saving Advice Service (ESAS) process. This would remove the complex and obtrusive requirement to have sight of and potentially retain benefits entitlement letters and so could therefore help reduce costs associated with identifying eligible households and proving eligibility, required by Ofgem. Energy suppliers have indicated that they are willing to fund this resource at DWP and so in the absence of full data sharing, we urge Government to expedite this process and have the facility available as soon as is practicably possible.
- The design of the ECO scheme is overly complex and requires a significant number of data elements for each job. In addition, due to the extent of the compliance risk, suppliers are requiring installers to provide data which is far in excess of Ofgem's requirements, and in a different format for each supplier. FPAG suggests that suppliers, installers, DECC and Ofgem work together to minimise and standardise reporting requirements under the scheme.

Whilst FPAG recognises that proposed changes to ECO CERO are likely to reduce consumer bills, we note that the proposal to lower targets for solid wall insulation will effectively reduce support for those living in hard to treat properties, in particular off-gas and rural households. This reduction will also create negative impacts on the insulation industries and supply chains. These impacts are being felt on top of the thousands of installation jobs already lost following the end of the Exchequer-funded Warm Front scheme in January 2013. FPAG therefore urges Government to consider these impacts in the new Fuel Poverty Strategy.

Further, FPAG would also like to see alongside the proposed changes to ECO, an incentive for early delivery of measures, to guarantee continuity for supply chains, and to prevent a reduction in the rate of the installation of measures, or a slowing down of the scheme.

Next phase of ECO and providing lasting confidence to the energy efficiency industry

They key aspect of ECO which is not given sufficient focus is the customer experience, especially for vulnerable/fuel poor households. The complex administrative arrangements for the scheme result in very high levels of repeat household visits and for the AW element in particular, obtrusive requests to see documentary evidence of household and welfare benefits details, with in many instances copies of such documents taken. This type of approach is not helpful and all parties, DECC, Ofgem, suppliers and installers need to work together to improve this customer journey.

Another area which needs to be improved is the focus on household specific carbon assessments, a complex metric which results in perverse outcomes. For example, those living in smaller properties are less attractive for installations, as there is less carbon saving to be achieved. Such negative impacts need to be addressed.

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These issues are compounded by the fact that in some instances suppliers and the supply chain expects customers to contribute towards measures.

RdSAP scoring systems are also causing problems for off-gas grid households – making it difficult to provide cost-effective assistance, and thus reducing the number of households getting help under ECO. FPAG proposes that under the next phase of ECO, there is a solution for off-grid households.

Existing powers enable the Secretary of State to focus the delivery of energy efficiency programmes on specified types of people or specified geographical areas through secondary legislation. These powers are conferred by section 41A of the Electricity Act 1989, section 33BC of the Gas Act 1986 and section 103 of the Utilities Act 2000. In DECC's document 'Extra help where it is needed: a new Energy Company Obligation – May 2011' it stated that "The Energy Bill also includes provision for referrals to be made, in certain very specific circumstances, which the energy companies would be required to follow up in some way ('mandated' referrals); but whether and if so how this power would be exercised will need to be consulted on and considered carefully".

Even if these changes are made, it needs to be recognised that ECO will only help a small number of people in fuel poverty and must be seen as a 'supplementary' rather than the main retrofit programme. This position was reinforced by the Energy and Climate Change Committee's report into Energy Prices, Profits and Poverty earlier this year³⁵. Its report rightfully noted that energy efficiency programmes should be the focus of the Government's fuel poverty policy in order to tackle the long-term root causes of the problem cost-effectively. The Committee report also noted that further adequate and proportionate assistance was also desperately needed³⁶.

Many FPAG members (and over 100 other organisations) are therefore urging the Government to use current carbon tax revenues to help deliver a permanent solution to the problem of cold homes as part a new and much more ambitious Fuel Poverty Strategy³⁷. Such a move would also ensure a cost effective energy efficiency supply chain was established. In addition, the recent legislative developments which require the Government to set a new fuel poverty target, and to specify a date for achieving this, mark a significant opportunity to establish a new primary objective for minimum energy efficiency targets for all fuel poor households which are required to be met by specified dates. This underlines the need to make the case for additional resources within the new fuel poverty strategy but also to provide clarity to the supply chain.

³⁵ House of Commons, Energy and Climate Change Committee: Energy Prices, Profits and Poverty: Committee's Fifth Report of Session 2013–14

³⁶ In particular the Committee notes that resources under the Energy Company Obligation (ECO) are insufficient considering the scale and depth of fuel poverty and recommend that ECO expenditure is devoted primarily to fuel-poor households, and further recommend that Government reconsider how best to incentivise take-up and funding of the most expensive energy efficiency measures such as solid wall insulation.

³⁷ Over the next 15 years, approximately £60 billion will be added to consumers' energy bills through the CPF and EU ETS. Treasury will also receive an annual windfall of £150 million as a result of VAT on domestic energy bills. This resource could be used this winter to improve people's lives and reduce health-related costs, improve local areas and enhance streetscapes, boost green jobs, put money back into local economies and make a significant contribution to efforts to reduce carbon emissions from the UK housing stock.

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FPAG recognises that the resources required to meet the targets are significant. However, energy efficiency provides the most cost effective long-term solution to unaffordable energy bills. The cost of meeting the targets must be set against:

- The estimated £1.3 billion pa³⁸ cost to the Health Service of treating the symptoms of fuel poverty – a figure that does not take into account social care costs and the reduction in economic activity due to time off work arising from cold-related ill-health.
- The £200 billion required to overhaul our energy infrastructure³⁹ – investment that could be reduced considerably if action was taken first on reducing energy demand.
- The £4 billion pa the Government will receive from carbon taxes which are expected to add £67 to the average annual fuel bill by 2020⁴⁰.

³⁸ Age UK, 2013, The cost of cold

³⁹ Ofgem, 2009, Project Discovery report

⁴⁰ DECC, 2013, Estimated impacts of energy and climate change policies on energy prices and bills

Chapter 6 – Data Sharing and Warm Home Discount

The WHD scheme has successfully set up data sharing arrangements between energy suppliers and DWP to facilitate direct payment into the electricity accounts of certain Pension Credit recipients. FPAG considers there is considerable potential to extend these arrangements to other benefit recipients to make sure either energy efficiency measures or bill discounts are automatically applied to those most in need.

Suppliers are required to provide WHD to a ‘broader group’ of households, but these households have to make an application for the discount. Each supplier sets its own criteria. FPAG recommends the Government removes supplier discretion in the ‘broader group’ and extends the ‘core group’ to cover all households eligible for CWP.

The Government has given energy suppliers, Distribution Network Operators (DNOs) and Gas Distribution Networks (GDNs) responsibilities for tackling fuel poverty and improving energy efficiency. They are required to do this through ECO, the Priority Service Register, the roll-out of smart meters, and the provision of the WHD.

Companies have told FPAG that they find it difficult and expensive to find the households they are obligated to support through these programmes, which adds significantly to programme costs. The costs of supplier obligations are met through consumers’ bills, meaning that higher delivery costs result in higher costs to consumers and in turn increased fuel poverty. High delivery, search and administration costs represent a waste of resources – resources that could be better spent on direct assistance⁴¹.

The Pensions Act 2008 made provisions for data matching between the DWP and suppliers to enable suppliers to provide direct help to households in receipt of Pension Credit. These powers have been successfully used to provide the WHD to certain low income pensioners. The success of the scheme opens up the potential to extend data sharing to related policies such as the delivery of energy efficiency and to providing help to a wider group of benefit recipients than pensioners alone. The Government recently committed to explore this potential to ensure the most efficient and cost effective delivery of fuel poverty policies⁴².

Despite widespread support for extending data sharing, including from benefit recipients themselves, there has been slow progress towards this. A variety of factors may influence the feasibility, effectiveness and desirability of further data sharing. A central concern is the implications for privacy. Another is under-claiming of benefits – any engagement based primarily on existing benefit data will exclude consumers eligible for but not receiving benefits (for example about a third of those entitled to Pension Credit do not claim it).

⁴¹ For example, suppliers estimated it cost £120 per consumer to deliver measures to the CERT Super Priority Group, compared to an estimated £4 to deliver the Warm Home Discount to the ‘core group’.

⁴² House of Commons, 2013, Energy and Climate Change Committee Report: Energy Prices, Profits and Poverty <http://bit.ly/1eGOhzk>

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Supporting FPAG, Consumer Futures is currently carrying out research to address these issues, and develop effective and workable policy solutions. This research will look at what data sources exist for the delivery of fuel poverty policies, how data is currently being shared, and the barriers to further data-sharing. The research will set out solutions to address the barriers identified, and the next steps required to deliver these options.

The research will also address a number of related issues:

- The use of other potential data, such as housing condition, as well as DWP data.
- The data implications of the new fuel poverty indicator for future fuel poverty policy.
- The potential implications of data sharing for the delivery of policies in other sectors where identifying and engaging vulnerable consumers are a challenge.
- The technical, legal and ethical and cost barriers to further data sharing, as well as the political and institutional factors.

Government and privacy stakeholders will be involved throughout the research process to ensure that the proposals are not only workable, but also have the buy-in needed to ensure that data sharing solutions are put into practice. The research will engage with DECC in particular, who are investigating the potential to improve data use for the delivery of ECO AW. The research findings will be presented to FPAG in early 2014 to help FPAG develop its proposals for future policy.

Extending the WHD

Data sharing between DWP and the seven obligated fuel companies has enabled companies to successfully deliver the WHD, currently worth £135 per eligible household per year, automatically to a ‘core group’ of pensioner households⁴³. Companies are also required to provide the WHD to a ‘broader group’ of households but these households have to make an application for the discount.

Each company sets its own criteria for who is eligible for the WHD broader group, although they are encouraged to use a ‘sub-set’ of the CWP eligibility criteria. Companies vary in their interpretation of the criteria. Some open it to all households eligible for CWP, usually requiring applications by a cut-off date, while others restrict eligibility to a more limited set of benefits.

FPAG recommends that the Government should remove fuel company discretion with respect to the broader group and instead extend not only eligibility, but entitlement of the WHD to all CWP recipients

As well as extending help to a particularly vulnerable group of consumers, the reform would also ensure consistency across companies and improve certainty in the energy market.

The reform would require the Government to extend the 2008 Pensions Act data sharing provisions to all non-pensioner households eligible for CWP by amending primary legislation. Companies would then be able to deliver the WHD automatically to the new expanded group of benefit recipients.

⁴³ Current eligibility criteria are listed at: <http://bit.ly/1e7FmvF>

Automatic payment of WHD to all households eligible for CWP would increase take-up considerably and help ensure the energy bills of vulnerable low income families and disabled people⁴⁴ are slightly more affordable (although deep energy efficiency retrofit of the homes of such households would make a much greater impact).

It is estimated that the WHD will cost £310 million in 2014/15, of which £30 million is accounted for by 'industry initiatives'. This is estimated to add around £12 per year to the average bill of consumers of the obligated companies, assuming companies pass on the full cost of WHD to consumers. Following the 2013 Autumn Statement, the Government will provide a £12 rebate to all electricity consumers, including those of the non-obligated companies, for two years. FPAG welcomes this additional income support for bills – albeit a small amount – and recognises the effort to reduce the impact of levies on consumer bills.

The Government's original WHD impact assessment assumed that there would be 1.355 million households in the 'core group' and 645,000 in the 'broader group' in 2014/15. Extension of the WHD to all CWP households would mean around 4 million households receive the WHD, which would be twice as many as is currently the case. This would suggest a WHD extension, as recommended by FPAG, would add a further £10.70 pa to the average energy bill of consumers of the obligated companies, or £22.70 in total on bills to cover the WHD. This assumes the amount allocated for 'industry initiatives' remains the same at £30 million per year.

A new WHD scheme

Government intends to consult in early 2014 on a new WHD scheme to replace the current version which finishes in 2014/15. FPAG suggests the consultation should invite views on the following considerations:

1. Introduce a higher rate for eligible consumers off the gas network, in recognition of their higher fuel costs (who pay an average of over £2,000 per year for their fuel, compared to £1,400 per year for those with gas heating).
2. Alternatively, vary the discount offered according to Energy Performance Certificate (EPC) band or groups of EPC bands, for example F&G, D&E, C and above. The Irish Government is considering instituting variable rates for its fuel costs subsidy scheme according to the energy performance of recipients' homes, in which the total cost of the new scheme would be revenue neutral compared with the existing flat rate subsidy scheme⁴⁵.
3. Merge the 'core' and 'broader' groups, alongside new legislation to extend data sharing to all households eligible for CWP, such that all eligible households in the merged group automatically receive the discount, as recommended above.
4. Introduce 'bands' to the Universal Credit system to reflect degrees of vulnerability, with the WHD going to claimants in the bands that approximate to the current CWP eligibility criteria.
5. How to make better use of WHD data to ensure that the homes of recipients receive energy efficiency improvements.

⁴⁴ It would also help more low income pensioners, since some pensioners are currently eligible for CWP but not for WHD.

⁴⁵ Scheer, J (2013), Ensuring efficiency Government expenditure on alleviating fuel poverty in Ireland

Chapter 7 – Winter Fuel Payment

The universal WFP benefit was delivered at a substantial cost to Government at £2.12 billion for 2012. FPAG recognises that spending on WFP over the current Parliament will have served an important purpose for certain households. But it is also clear that the total sum of around £10 billion could have been directed to tackling fuel poverty more directly, covering the cost of retrofitting millions of fuel poor homes. For this reason, FPAG will continue to explore this matter particularly in the context of the Government’s overall fuel poverty strategy and the balance it strikes between investment in energy efficiency and income support measures.

Should Government make any proposals to adjust the operation of the WFP, FPAG would expect to be fully consulted because it is clear that this funding is intended to be earmarked for fuel-related spending. Where any adjustments to the system are introduced to better target assistance where it is most needed, remaining funds should immediately be reallocated to ring-fenced energy efficiency investment for the fuel poor.

The WFP was part of a suite of measures introduced by the first Labour Government during 1997-2001 to address pensioner poverty. A universal benefit for all pensioners, originally paid at £20 per household and £50 to those on means-tested benefits, sat beside the free TV licence (paid to over 75s) and the Minimum Income Guarantee, a means-tested benefit, subsequently renamed Pension Credit, paid to the poorest.

In recent times, WFPs have increasingly been seen as a part of the effort to tackle fuel poverty, and as a result have attracted criticism that they are not well-targeted at supporting the fuel poor (which it was never designed to do). In the recent Annual Energy Statement, it was listed as a policy for ‘supporting the vulnerable’ in the context of fuel poverty.

To consider if WFP represents a support for the fuel poor, FPAG has been considering possible options for the future of the Payment.

To end the Payment?

- Paid at £200 per household and £300 for households over 80 since 2001 (with two years when ‘one-off’ enhancements were provided in 2009 and 2010), WFP cost Government £2.15 billion in 2012. 12.5 million pensioners in 9 million homes benefit, but since eligibility is now linked to the female state pension age which is rising, FPAG expects the costs of the Payment will fall marginally over time.
- Total withdrawal of the WFP would save HM Treasury £2.1 billion. The devolved administrations might press a claim for some 20% of this amount to protect the incomes of pensioners in their national jurisdictions.
- An alternative way to end it could be by phasing it out – perhaps protecting existing recipients but refusing to accept any new claimants. This would produce only modest savings initially, and would appear rather divisive.

To reform the Payment?

- One option would be to restrict payment to those over 70 to acknowledge that the oldest are generally the poorest. This would save £500 million.
- A second option would be to cancel it for all but those claiming Pension Credit. This would save about £1.5 billion. But only two-thirds of eligible pensioners claim Pension Credit, so a lot of pensioner households would miss out.
- A third option could be to reduce the amount payable per household. The savings would be proportionate to the cut implemented, but this could potentially be a difficult policy to implement as energy prices continue to rise.
- A fourth option could be to remove the WFP entirely from higher rate taxpayers. This would affect 600,000 pensioner households, and might save £105 million, but there could be expensive administrative costs.

To retain the Payment?

- Retain the WFP, but make it taxable. With large numbers of pensioner households below the tax threshold, the savings from this would be only about £250 million.

FPAG's conclusion, therefore, is that of the options explored to date, none appears to be without risk. We recognise that spending on WFP will have served an important purpose for certain households. But it is also clear that the total sum of around £10 billion could have been directed to tackling fuel poverty more directly, covering the cost of retrofitting millions of fuel poor homes. For this reason, FPAG will continue to explore this matter particularly in the context of the Government's overall fuel poverty strategy and the balance it strikes between investment in energy efficiency and income support measures.

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Chapter 8 – Off-gas Grid Households

Off-gas grid households live in some of the most thermally inefficient properties and are also often located in rural areas which can mean they are more susceptible to being fuel poor. In rural areas, the houses are more likely to be old, stone built and of solid wall construction with low thermal efficiency which expose the occupants to the risk of becoming fuel poor – especially if they have to rely on expensive heating fuels.

A significant number of these households use heating oil, Liquefied Petroleum Gas (LPG) and solid fuels and as a result are subject to more volatile and unpredictable prices. Consumers of these fuels are not protected due to these markets being unregulated. Off-gas grid customer protection requirements should be aligned with the mains grid sector to ensure suitable levels of customer protection – for instance, requiring Priority Service Registers, safety checks and provision of payment options.

Due to the lack of equity under ECO for off-gas grid heating systems and in particular the AW tranche of the obligation, fuel poor off-gas grid households are unlikely to receive ECO measures. There should be consideration for a review of the off-gas grid heating offerings available for the vulnerable under the ECO obligation. DECC also needs to ensure that there is adequate incentive for suppliers to ensure alternative heating solutions are offered.

In our last Annual Report, FPAG noted that households off the gas grid were some of the most likely to be in fuel poverty as a result of high energy costs and inadequate thermal insulation. In Table 2, DECC data indicates the number of households reliant on different fuels from the English Housing Survey 2010 reveal the following fuel poverty numbers (under the previous 10% definition of fuel poverty) for England only and related SAP rating:

Table 2. Fuel poverty and varying fuel types

Fuel type (EHS 2010)	All FP households main fuel type	Annual full household income (£)	FP index - full income definition	Energy efficiency (SAP09) rating	Total fuel costs (£)	Total space heating cost (£)	Cost of energy to heat water (£)
Gas	2,599,494	£10,427	17.0%	50.4	£1,473	£930	£129
Oil fired	219,605	£14,276	18.9%	41.5	£2,242	£1,556	£186
Solid fuel	111,077	£15,720	18.1%	28.8	£2,474	£1,767	£258
Electric	569,758	£11,430	18.3%	31.0	£1,815	£1,193	£221
All FP households	3,499,934	£11,000	17.4%	46.0	£1,609	£1,038	£151

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Table 2 highlights the depth of the problems facing some households, where some have fuel poverty gaps more than double the size of the average fuel poor household and are unlikely to benefit from existing programs.

Households living in the most energy inefficient dwellings – those with a SAP rating of E or below are much more likely to be fuel poor.

- Fuel poor households with oil, solid fuel, LPG or electricity typically have individual fuel poverty gaps double the average, typically over £1,000.
- Households with other non-cavity wall types (usually solid) are much more likely to be fuel poor than those with insulated cavity walls, and have much higher average fuel poverty gaps.

In Britain 3.9 million households do not have gas heating, of these over 500,000 have a gas supply but do not have gas heating (2.4%), 1.3 million are in close proximity to the gas network and the remaining 2 million are fully off grid with little prospect of gas connection.

In our last Annual Report, we recommended that, where viable, extensions to the mains gas grid and the installation of in-house solutions should be supported. Expansion of the gas network should be considered where feasible and manageable, at affordable delivery costs. However, this is anticipated to be a long-term process and it was noted that this would not represent a long-term solution for all homes and a more sustainable approach would need to be proposed to enable fuel poor households to access renewable technologies.

In the interim it should be recognised that these households and those that are fully off-grid, in total 3.3 million, require consumer support and protection and choice of alternative heating solutions to improve the energy efficiency and reduce costs required to heat their home. This will provide off-gas grid households and in particular those who are fuel poor with improved consumer and choice and opportunities.

FPAG would like Government to explore other forms of community heating including the use of biomass and bio-methane through the implementation of community renewable schemes involving collaboration with gas and electricity distribution systems.

In seeking to explore the most appropriate heat solution for vulnerable households without access to mains gas, FPAG would call on Government to review its Renewable Heat Incentive programme (RHI) and, in particular, whether the scheme could be made more accessible for low-income households. In its current form the RHI requires consumers to pay the up-front installation costs of renewable heating systems. Whilst this enables more affluent households to realise the benefits of their investment it effectively excludes low-income households who lack the financial resources to pay the up-front capital costs. FPAG believes that this inequity should be redressed by the Government capitalising the of future RHI revenue streams for low income households, integration with other funding sources or using part of the future RHI.

In response to these challenges, FPAG has been exploring how best it can positively contribute to identifying potential viable solutions for off-gas grid properties. With this in mind it has built on the success of Ofgem's initial off-gas grid workshop in 2013 and has formed a sub-group of FPAG and industry called the 'FPAG Off-Grid Group' chaired by the FPAG member from National Grid, who will work closely with DECC on its findings.

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The primary objective of the FPAG Off-Grid Group is to take forward the development of an integrated approach to address off-gas grid fuel poverty through:

- Engaging and gaining commitment from key industry stakeholders to provide resources (financial and human) to better understand the challenges of off-gas grid households.
- Developing a framework where key industry stakeholders will ‘commit’ to collaborative working to provide direct assistance to off-gas grid properties.
- Preparing an industry-agreed decision tree that signposts customers /stakeholders to an appropriate delivery organisation.
- Identifying the sources and ownership of data that would assist in the production of a comprehensive ‘mapping’ off off-gas grid dwellings to enable assessment of their relative exposure to the risk of fuel poverty and the most economical and technologically appropriate solutions.

About the Fuel Poverty Advisory Group

The Fuel Poverty Advisory Group is an advisory Non-Departmental Public Body sponsored by DECC, with the primary task of providing advice to Government on tackling fuel poverty in England.

The group is composed of:

Chair: Derek Lickorish MBE

Vice Chair: Teresa Perchard

Age UK

Association for the Conservation of Energy (ACE)

Carillion

Centrica (British Gas)

Child Poverty Action Group

Citizens Advice

Consumer Futures

E.ON UK

EDF Energy

Energy Efficiency Partnership for Buildings (EEPB)

Local Government Association (LGA)

National Energy Action (NEA)

National Grid

RWE NPower

Scottish and Southern Energy

ScottishPower

UK Health Forum

List of abbreviations

AW	Affordable Warmth	NICE	National Institute for Health and Clinical Excellence
CERO	Carbon Emissions Reduction Obligation	NGO	Non-Government Organisation
CfD	Contracts for Difference	OBR	Office for Budget Responsibility
CPF	Carbon Price Floor	OFT	Office of Fair Trading
CSCO	Carbon Saving Communities Obligation	ONS	Office for National Statistics
CSE	Centre for Sustainable Energy	PHE	Public Health England
CWP	Cold Weather Payments	PIP	Personal Independence Payment
DECC	Department of Energy and Climate Change	PRS	Private Rented Sector
DLA	Disability Living Allowance	RdSAP	Reduce Data Standard Assessment Protocol
DNO	Distribution Network Operators	RHI	Renewable Heat Incentive
DWP	Department for Work and Pensions	RO	Renewables Obligation
ECO	Energy Company Obligation	SAP	Standard Assessment Procedure
EMR	Electricity Market Reform	WFP	Winter Fuel Payments
EPC	Energy Performance Certificate	WHD	Warm Home Discount
ESA	Employment and Support Allowance		
ESAS	Energy Saving Advice Service		
EU ETS	European Union Emissions Trading System		
FPAG	Fuel Poverty Advisory Group		
GDN	Gas Distribution Networks		
LCF	Levy Control Framework		
LIHC	Low Income High Cost		
LPG	Liquefied Petroleum Gas		

Appendix 1 – Letter from the Prime Minister following FPAG’s 10th Annual Report



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

9 January 2013

Dear Mr. Lickorish,

I wanted to write to thank you and the Fuel Poverty Advisory Group for providing me with a copy of your Annual Report for 2011-12.

I was interested to read of the Group’s recommendations to ensure access to affordable energy across the United Kingdom and look forward to considering the work the Group has undertaken as we work towards our 2016 fuel poverty eradication target.

Thank you once again for taking the time and trouble to share your findings with me.

*The Prime Minister
David Cameron*

Mr Derek Lickorish MBE

Appendix 2 – Letter from FPAG to the Prime Minister on ECO

5th November 2013

The Prime Minister
10, Downing Street,
London
SW1 2AA

Dear Prime Minister,

Insulating the homes of the fuel poor to help keep them safe and reduce their costs of keeping warm must be a fundamental priority for this and successive Governments.

The problem of fuel poverty is a very serious issue and can even be life threatening for the elderly and for those in poor health. From that perspective, the FPAG and its members would be extremely concerned if ECO levies were simply scaled back or dropped without those funds being replaced by Government funds and without a clear cross party commitment for their funding to endure in this way.

The vital work being done to assist fuel poor households, including the funds for the Warm Homes Discount (WHD) whereby more than 2 million vulnerable households receive £135 towards their annual electricity bill from the largest energy suppliers, should not stop just because the funding mechanism that the Government chooses may be about to change. The current cost of the WHD is 22 pence per household per week.

Fuel debts continue to increase, energy bills have risen by 140% since 2005 whilst incomes rose by less than 30% over the same period. We agree that the ECO needs reform. We also understand the need to act on customers' bills, in general, is urgent and pressing. Nevertheless, fuel poor households should not be the losers from rushed reforms driven by political expediency and who then have to endure the debilitating effects of being cold and living in fear of not being able to pay their energy bill.

DECC has recently revealed that the current costs of the energy supplier ECO scheme. Its total costs are expected, at this stage, to be broadly in line with the original expectation of £1.3Billion However, at present less than half of this amount is directed specifically at the fuel poor. In simple terms, 17 pence spent on an Affordable Warmth measure will save £1 off an energy bill. This is the most cost effective aspect of the 'green levies' which also has a clear social and very beneficial outcome. By refocusing 100% of the ECO onto lower cost fuel poverty measures the negative impact will be less on all consumers and much more positive on more vulnerable households. [CONTINUES ON NEXT PAGE]

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The Government has a legally binding target to eradicate fuel poverty by 2016. Unless it can demonstrate that it is doing all that is reasonably practical to do so it is likely a legal challenge for a judicial review would be triggered.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Derek Lickorish', with a horizontal line underneath.

Derek Lickorish MBE
Chair
Fuel Poverty Advisory Group

cc: Edward Davey MP, Secretary of State for DECC
Gregory Barker MP, Minister of State for Climate Change
Baroness Verma, Parliamentary Under Secretary of State for the Department of Energy and Climate Change
The Press



