

Energy Action Scotland response to the Ofgem Corporate Strategy 2004–2007 consultation



Suite 4a
Ingram House
227 Ingram Street
Glasgow G1 1DA
Tel: 0141-226 3064
Fax: 0141-2212788
Email: eas@eas.org.uk
www.eas.org.uk

Background

Energy Action Scotland (EAS) is the charity whose mission is to end fuel poverty in Scotland. EAS has campaigned on the issue of fuel poverty and has delivered many practical and research projects to tackle the problems of cold, damp and expensive to heat homes. EAS has worked with both national and devolved administrations on energy efficiency programme design and implementation. EAS is currently a member of the Scottish Executive's Fuel Poverty Forum chairs the forum's EEC sub group, sits on the Information sub group and sat on the Scottish Executive's Central Heating Programme Advisory Group. EAS welcomes this consultation paper and notes that the strategy outlines seven developed themes and EAS would make comment on two of these: "Helping protect the environment" and "Helping tackle fuel poverty".

Initial comments

There are a number of references throughout the document relating to the benefits of switching to save consumers money. While EAS agrees there is a continued need to provide information to consumers on the benefits of shopping around for the best price, there is a danger that this will negate the consumer's desire to reduce consumption as a means of saving fuel and money. EAS would wish to see a greater focus on the provision of high quality advice on energy efficiency to all consumers and particularly those on low incomes. It has been ably demonstrated by a number of advice projects that tailored-made energy advice can result in consumers saving around 10-12% on their fuel bills. This is achieved via behavioural changes that reduce the total amount of fuel used. There is also an environmental benefit via reduced emissions.

Main comments

Helping protect the environment

While EAS would support the desire to improve customers' awareness of the environmental consequences of their energy use, it would argue that this should be combined with the customers' ability to act upon that increased awareness. The Energy Efficiency Commitment (EEC) should be restructured to allow consumers better access to measures that will reduce their overall consumption at prices that make these measures an attractive option. The current structure of the EEC programme does little to encourage new or innovative measures to be made available to customers, simply focusing primarily on cavity wall and loft insulation. Take up of measures is limited to homes with a loft space or a cavity wall; around one third of homes in Scotland do not have cavity walls or a loft. These measures are also available to low-income consumers via other grant schemes such as the Warm Front or the Warm Deal and often at a better price to the customer than EEC. Customers in receipt of benefit and classed as being in the priority group will, in the main, receive 100% funding for insulation measures from the Warm Deal while only receiving a partial grant under EEC. This competition among grant programmes for customers does little to create consumer confidence and sets social targets against environmental ones. The choice of multiple schemes is also confusing for the customer and they may not know which scheme is best for them, or how to tell them apart.

EAS believes Ofgem is right to examine the quality of energy efficiency advice provided by the fuel suppliers to their customers. Since the initial survey, and the publication of good practice guidelines by Ofgem stating the need to have appropriately trained staff, EAS has delivered a number of training sessions to ScottishPower call centre staff. This training has undoubtedly assisted in providing better levels of advice to customers and EAS believes this is demonstrated in the results of the second survey. However this training is not yet considered to be the norm and EAS would seek to have the regulator re-enforce the message of having well trained and equipped staff to deal with customer enquiries.

Consumers who are better informed, given appropriate advice and who have access to a range of energy saving measures at attractive prices will in turn take action that will have an environmental impact via reduced consumption.

Helping tackle fuel poverty

EAS supports the statements made in paragraphs 7.1 and 7.2 of this section. EAS would wish to comment however, that as fuel poverty is caused by a combination of three distinct variables, Ofgem should have plans in place that address all of these variables in order to tackle fuel poverty. These variables are the cost of fuel, the disposable income of the householder and the thermal efficiency of the dwelling. EAS supports the requirement to have good advice services available to all customers but believes that this advice should not just be about switching to save. Just as important is advice on tariffs and payment methods. Tailor-made energy advice will also assist the customer in making changes that will ultimately reduce consumption and so reduce bills. This could be seen as maximising the disposable income of the customer and addressing the cost of fuel.

There is a further need for customers to have access to measures that increase the thermal efficiency of the dwelling, which is the third variable in the fuel poverty equation. Ofgem states that it has a key role to play in helping to tackle fuel poverty, a statement EAS welcomes and supports. To achieve this aim, Ofgem must ensure through its Social Action Plan and the EEC programme that low-income and vulnerable consumers have access to measures that are designed to increase the thermal standards of their homes. EEC, as it is currently constructed, makes some contribution to tackling fuel poverty but this contribution is limited by the measures provided.

EAS believes that newer and additional measures such as ground source heat pumps or solar heating systems need to be a more integral part of EEC. EAS also believes that the structure of EEC, including the allowable costs to suppliers, needs to be reviewed and restructured.

There is a view that EEC is in competition with other energy efficiency grants such as Warm Front and Warm Deal. This view is formed as both programmes target groups of low income consumers on certain benefits. In some cases a low income household accessing only one or other of these grants will not be taken out of fuel poverty. An example is where a home requires: loft insulation (top-up) cavity wall insulation, hot and cold water tank insulation, low energy lighting and energy advice. The householder may find that the cost of all these measures is in excess of the maximum social grant available i.e. the Warm Deal. If the householder is also in the EEC priority group they may not be able to afford the difference in price between the grant maximum and the total cost of the job. The overall effect will be that, with the householder unable to meet any financial shortfall, they will not have all the measures installed. This would potentially leave them in fuel poverty and the property with a reduced number of measures installed. If, however, the householder were able via their fuel supplier or the social grant administrator to have all the necessary works paid for using an amalgamation of both grants then they would receive the maximum energy benefit. The fuel supplier would gain the maximum CO₂ saving and the government would make progress towards its fuel poverty target.

Making homes more energy efficient has multiple benefits for the customer: less fuel is used so any increase in fuel price has a reduced impact on the running cost of the home and the level of disposable income available is increased, the fuel used for space and hot water heating becomes more efficient and gives greater benefit, a warmer, more affordable to heat home also provides benefits in reduced incidences of condensation dampness and has a positive impact on the health of the occupants.

These are hidden benefits for the fuel poor. Their impact and importance should not be ignored by Ofgem in relation to assisting fuel poor households.

Conclusion

EAS welcomes the Ofgem strategy and supports the development of the seven key areas.

EAS believes that the impact of good quality energy advice to customers is not yet given the value it deserves and would support Ofgem in the wish to explore ways of improving this. EAS believes that this can be done by the means listed by Ofgem but also via home visits, the use of video tapes, energy efficiency road shows and by suppliers working more closely with groups who support and work with customers.

EAS would also seek to have Ofgem promote further the need for fuel suppliers to have well trained staff to give advice to customers. Ofgem should reinforce this good practice and encourage suppliers to have all call centre staff, not just those in the dedicated energy efficiency centres, trained to a minimum standard of City & Guilds in energy awareness.

EAS would also wish to have Ofgem restructure EEC to make this more beneficial for all customers but in particular the fuel poor. EEC requires additional measures that will address homes without lofts or cavity walls and the costs allowed by fuel suppliers should reflect this. As part of the restructure, Ofgem should examine how EEC could be combined with other energy efficiency grants which have a more social focus to provide a win win situation for customers, fuel suppliers and for government.

Householders should not be in a position of choosing between competing grants from fuel utilities and from government. Grants such as the Warm Deal and EEC should be complementary to one another and not in competition for the same client group.