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NK/NK/4567

4 October 2004

Andy MacFaul  
Head of Government Affairs  
Ofgem  
9 Millbank  
London  
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Dear Mr MacFaul

**Ofgem's three year strategy 2005 – 08**

Please find attached the response by Energy Action Scotland (EAS) to the above noted consultation document. In line with EAS normal practice the document need not be treated as confidential and may be published on the Ofgem website and held electronically in the Research and Information Centre.

Yours sincerely

NORMAN KERR

Norman Kerr  
Development Manager



# Energy Action Scotland response to Ofgem's three year strategy

## 2005 – 2008 consultation

### 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.

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There are a number of areas outwith EAS's remit and as such the organisation is only offering comments in relation to fuel poverty and energy efficiency as these are the main areas of EAS's work.

### Specific comments

EAS believes there to be three key challenges for Ofgem and they relate to; Retail Competition, Security of Supply and Helping Tackle Fuel Poverty. Comments on each of these three areas are outlined below.

#### Firstly, Helping Tackle Fuel Poverty

Figures recently published by the Scottish Executive in their 2002 Scottish House Condition Survey have shown a significant reduction in the number of fuel poor households in Scotland, a drop of 452,000 households since 1996. There have been three main reasons given for this reduction, increased incomes, reductions in fuel price and better energy efficiency, the figure attributed to the impact of fuel price was 35% of the total reduction. However since the time of the survey EAS has calculated that fuel prices have increased by some 20% and using figures supplied by Communities Scotland have further calculated that from the 158,000 people removed from fuel poverty by falling fuel price 120,000 have been returned to fuel poverty by the recent price increases.

With fuel prices expected to increase further over the time of the Ofgem 2005 – 08 strategy more households will become fuel poor. There is therefore a challenge to secure affordable prices for all consumers but especially for those who are living in or at danger from fuel poverty. More energy efficient homes will protect vulnerable consumers against the rise in fuel price and EAS believes that Ofgem have an opportunity to provided this through the EEC programmes. Although this programme would need to be amended significantly to provided more innovative measures to a wider range of households. For example measures such as micro CHP, solar water heating, micro wind generation and others would need to become more prevalent for hard to treat/heat homes.

Ofgem has stated that it will work with Government, the Industry and energywatch to meet this challenge. EAS believes that Ofgem must also continue to work with NGO's and front line energy efficiency professionals who are not employed by either the industry or energywatch. These professionals work in local authority advice units, independent advice agencies and the network of Energy Efficiency Advice Centres. These groups and professionals have a significant role to play in advising and informing Ofgem and the Government on energy policy and the design and delivery of energy efficiency measures and programmes. EAS acknowledges that Ofgem are currently discussing this but would like to see a more formal recognition of this by Ofgem.

### **Secondly, Retail competition**

Recent fuel price increases have led to a number of calls from the energy watchdog and even Scottish Ministers for customers to shop about for the best deal, urging consumers to find the supplier that is offering the lowest price for fuel. However here again there is confusion for customers it is extremely difficulty for the majority of customers to actually compare the prices between suppliers as the information supplied is often in a format which is not readily comparable or user friendly. The challenge for Ofgem is to have suppliers provide clearer information on pricing including tariffs for all consumers especially those vulnerable consumers in fuel poverty.

Price while an important factor is not the only factor that customers will consider when choosing a new supplier and there is a need for Ofgem to consider how all suppliers provide information on the benefits and services available to their customers, for example how they operate their Priority Service Register.

## **Finally, Security of supply**

As the UK continues to consume growing amounts of energy there is an increased need to provide greater levels of energy efficiency measures to all domestic consumers to reduce the requirement for energy and so in turn reduce the amount of energy produced or imported to meet that demand. Energy efficiency is shown as a tried and tested means of saving both energy and cash for domestic home consumers. The challenge for Ofgem is to increase the take up of real energy saving measures across all domestic consumer groups both the fuel poor and the fuel rich. To provide newer measures for the homes not yet tackled by current EEC schemes and to make EEC more effective by closer collaboration with other energy efficiency programmes. There is a need for Ofgem to consider the definition of what a cost effective energy efficiency scheme is<sup>1</sup>. Current EEC schemes work on short payback times however if supply is to be maintained then longer payback periods may need to be explored. This would provide better opportunity to tackle solid walled and other non traditional homes that are currently classed as hard to treat/heat. Many of these homes were constructed over 100 years ago and it is likely that they will continue to be used for a further significant period of time. EEC if delivered in a more inclusive manner could contribute to reduced demand on supplies and so work to provide a greater security of supply.

Footnote 1 Cost effective energy efficiency schemes as set out in the Ofgem Strategic Plan Section 7 Helping the fuel poor, para 7.6