



Delivering sustainable solutions for affordable warmth

- helping those most in need through energy efficiency, income maximisation and other measures

Thursday 13 October 2005

Summary of key points from panel presentations

Panel: Chairman

Sir John Mogg, Chairman, Gas and Electricity Markets Authority

Speakers

Malcolm Wicks MP - Energy Minister

Ed Mayo - Chief Executive, National Consumer Council

Andy Duff - Chief Executive, RWE npower

Rita Clifton - Chairman, Interbrand and member of the Sustainable Development Commission

Introductory remarks – Sir John Mogg

Sir John noted that the Government had set demanding targets for reducing and ultimately eliminating fuel poverty. There had been good progress but recent price rises put some of this progress at risk. There was a consensus that we needed to tackle the problem, to identify the fuel poor and deliver solutions. Sir John also noted the imminent launch of the Energy Retail Association's hotline for consumers, 0800 33 66 99.

Malcolm Wicks MP

The Minister had written a book on fuel poverty back in 1978. While fewer were affected now, it remained a national scandal that people were dying from cold and cold-related conditions. Rising prices were a significant worry.

Statistical indicators were not everything – the real issue was to get better boilers, insulation etc., not whether people had to spend 9 or 10 per cent of their income on fuel. Warm Front had been a success in this respect.



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The industry had moved through nationalisation and a period when the free market reigned and was now into an interesting period with a “social market”.

Policies such as the Renewables Obligation (RO) could have an upwards impact on prices. With the Energy Efficiency Commitment (EEC) the cost was directly returned to customers; the task was to ensure that the poorest get the benefit.

The Government had introduced measures to raise incomes – older and women pensioners had benefited particularly from increased Pension Credit, and the Winter Fuel Payment was also part of the discussion.

There was a hard core of fuel poverty which was difficult to tackle. There was a great deal of activity, some of which hit the target but some of which didn't. It was necessary to ensure that agencies were working together to make sure that the right people were being targeted for help. The industry's move to set up a helpline was welcome. There was a challenge for the welfare state and the voluntary sector to deliver joined-up action.

Despite rising prices, if benefits and measures were getting through to the right people, it was possible to help. Social policy had come a long way but it was still not where it should be. The challenge was to make sure that the old and cold got the help they need.

Ed Mayo

There was a connection between fuel poverty and sustainability. Warmth made a real difference to people's lives.

All too often, the poor pay more or get less: prepayment meters were more expensive than other methods of payment. The same was true for other utilities. It was heartening that energy companies had taken up the issue of differential tariffs.

There was a tendency to look at poverty in terms of incomes and social exclusion. Government had yet to look at ways the markets could be made to work for those on low incomes. The Factor 4 project had looked at this.

Payments systems were the focus of Treasury activity but research suggested that people with basic bank accounts felt less in charge of their money than those who didn't.

People were prepared to do their bit on sustainability but did not feel enabled. Most people were not converted environmentalists so it had to be made easier – for example, the introduction of kerbside recycling had increased take-up.

Trust was an important issue. People looked to Government or companies to do something, but did not trust them to deliver.

The growth in domestic air conditioning could lead to rises in electricity bills. The policy agenda needed to be close to the market to deal with this.

The current level of fuel prices was a source of concern, and there was a risk that a cold winter could see a further spike. More resources should be devoted to making schemes work through “enveloping” work.



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People did not talk about “energy” - they talked about “gas” and “electricity”. Equally, the term “energy efficiency” did not connect. Policy needed to start with the messiness of people’s lives and be integrated across the piece.

Andrew Duff

It was often forgotten that poverty still exists here in the UK, yet 20 per cent of older people in poverty voluntarily go without fuel to make ends meet.

The definition of fuel poverty was technically 10 per cent but really it was all about whether you could afford the gas and electricity to heat your home.

Fuel poverty had fallen significantly, a lot of it due to increasing incomes.

The companies had spent £110 million over and above their licence obligations under voluntary Corporate Social Responsibility (CSR) programmes. The industry cared about vulnerable customers.

RWE were launching a “Spreading Warmth” initiative which would provide benefits advice, energy efficiency advice, debt rescheduling and social tariffs. They were also running a “Health through Warmth” scheme, in conjunction with National Energy Action, which focused on identifying those in need. The scheme used NHS health visitors as “eyes and ears” to help direct assistance where it was most needed. The new helpline to which Sir John had referred would also make it easier to target help.

It was not sustainable to rely on such CSR measures which focused on tackling symptoms. More ambitious leadership was required to address causes.

There were many organisations involved and many tools at their disposal but no one organisation had responsibility or authority to tackle the problem.

The EEC was primarily an energy efficiency programme but help was directed towards the poor. It was not clear whether beneficiaries were choosing to heat their homes more or cut their bills.

EEC overlapped with Warm Front but they served different purposes. This meant an inefficient allocation of resources. And both schemes missed the hard core of fuel poor who were difficult to reach, such as those in the private rented sector.

Energy efficiency was only part of the answer – it might be beneficial to separate fuel poverty objectives from energy efficiency.

Local authorities should be given more power as they were in a better position to identify those in need.

There was cynicism attached to efforts by companies to help customers save energy. Help was needed from Government and NGOs to legitimise companies’ marketing of energy efficiency.

Rita Clifton

It was difficult to change people’s attitudes to sustainable development.

Language was important as it could create entirely unintentional barriers to understanding.



Powering the energy debate



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There was confusion among the public and business. Sustainable development had a bad image. It was perceived as expensive and this was not helpful.

There was also a perceived lack of vision: the public were scathing about the lack of example from above.

There was an opportunity to “own” the area of sustainable products and services, as GE had done in the USA. More British businesses were needed at the knowledge end of the economy.

Words like “sustainable development” did not roll off the tongue – it was not clear what it meant and had the baggage of being considered “worthy”. This created a dilemma – whether to hammer away with little success, or come up with a new phrase. By contrast, in the GM debate, the phrase “Frankenstein food” had grabbed attention. Equally people had responded to clear messages such as “there is a hole in the ozone layer, stop using aerosols”.

A large majority – 85-90 per cent – thought that the environment was important, but only 10 per cent actually behaved that way at the tills. That gap needed to be closed. The phrase “green consumer” was associated with lentils and woolly jumpers and was “uncool”.

Businesses would wait until there was consumer pressure – we needed to create a virtuous circle by being ahead of the market.

It was important to be clear about the nature of the problem and also about the benefits of sustainable development, by talking about “quality of life”. There was a need for consistency of language and also of practising what you preach.

Some of the measures necessary would not be popular. Business should be encouraged, using carrot and stick.

Questions and Answers

Richard St Clair (PRI Ltd) mentioned the success of smart meters in Northern Ireland and asked whether EEC measures attracted VAT at the full rate. He also referred to Ed Mayo’s comment that customers did not feel ‘enabled’.

Andrew Duff (AD) noted that EEC funds would go further with tax offsets but felt that the challenge was to be effective and deliver sustainable solutions rather than part solutions.

Malcolm Wicks (MW) noted that the EEC adds a great deal of value and that the Stern Review would look at the interface between fiscal incentives and the climate change agenda. He added that we needed to help and support people in ways that empower them and that people felt empowered by having a new boiler.

Ed Mayo (EM) praised the work on smart meters in Northern Ireland. The issue of micro-generation caused arguments – did it engage people in shifting behaviour patterns? Producing your own energy was like growing your own vegetables and was very empowering. There was a need for Government to engage with people in terms of their choices and to engage in “social marketing”.

Rita Clifton (RC) felt that words such as “enabling”, “engaged” and “empowered” were not relevant to people. There had been success in changing behaviour with unleaded petrol; people had responded to a price differential.

Duncan Sedgwick (Energy Retail Association) repeated Sir John’s mention of the industry’s new “Home Heat Helpline” which would be formally launched on 31 October. It was focused on reaching customers with whom the firms were not already in touch.



There was no single remedy for fuel poverty, but innovation in a competitive market was key. Suppliers wanted to see a clear link between investment going in and outcomes.

AD argued that a much more systematic approach was required to target the quality of property, with fiscally neutral measures to stimulate response and protection for those caught out in transition. There was plenty of room to improve – much of the housing stock was very badly insulated. There was an opportunity to use fiscal incentives to create energy services packages.

MW noted that 25 per cent of CO₂ emissions were from domestic dwellings so there was a need to focus on housing. There had already been major gains in the social sector but there were major problems in private rented and private owned houses which were asset rich but income poor.

Ed Mayo argued that CSR measures were all well and good but that the core business was the problem. The companies needed to clean up their act on, for example, debt prevention.

Sir John Mogg (JM) noted that there had been very little response to the trial relaxation of the 28-day rule.

Asked about the need for nuclear energy, MW said that nuclear was simply one of the options, along with other sources of energy. There were very set positions on either side of the debate; what was needed was objective evidence-based debate which addressed the geo-politics and issues around waste, security and planning constraints.

RC was disturbed about the lack of debate about what we wanted the outcome to be. There was a danger of over-focusing on the nuclear debate.

MW argued that the key objective was meeting people's energy needs while saving the planet.

Alistair Buchanan (Ofgem) asked AD whether there was uniformity between the companies on definitions of fuel poverty and whether this created confusion with Government schemes.

AD argued that we shouldn't seek to inhibit companies from trying to outdo each other in what was a fairly new industry. However, there was a need to tread with great care not to create confusion. His instinct was to allow the industry to develop solutions.

Lord O'Neill of Clackmannan asked whether the Minister found it frustrating waiting for Defra to decide what it wanted to do and criticised the lack of a single Government body capable of addressing the issues.

MW replied that it was perfectly reasonable for there to be tension between two departments one of which was focused primarily on climate change, while the other had a focus on supply.

JM noted that the tension between departments was relatively gentle in the UK compared to his experience of Brussels.

AD felt that the challenge of reconciling security of supply with sustainability and affordability was a complex one. The switching message was not necessarily very helpful to those in need.

RC noted that the Sustainable Development Commission was entirely organised out of Defra but was now touching on many more Departments' work. Sustainable development should be the organising principle behind every policy across Government.

Brenda Boardman (University of Oxford) noted the price rises of recent months and the predictions of a cold winter, and asked what measures were in place for the coming months. She argued for an end to disconnections; for prepayment meters not to be more expensive than other methods of payment; and for a restructuring of tariffs so that excessive consumption was no longer encouraged.



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AD felt that while the abolition of disconnections might appear attractive, the experience of the water industry had seen more people falling into debt and had created problems for consumers.

EM, however, argued that the industry needed to sharpen up its act otherwise banning disconnection would be seen as the best option and noted that AD was not advocating that disconnections be reinstated in the water industry.

MW felt what was needed was help on the human level.

EM added that there was a balance between putting more money in people's pockets and investment in improvements.

Allan Asher (energywatch) asked how best we could target help and engage with those who were difficult to reach. There were plenty of agencies who could identify those who needed help and plenty of agencies who were able to provide assistance, but there was a gap in the middle connecting the two.

AD agreed that the challenge was one of co-ordination.

Mike Stimpson (National Federation of Residential Landlords) noted that the private rented sector had the poorest energy efficiency ratings and argued that instead of targeting individuals, the Government should target properties, by age, and incentivise landlords to make improvements.

MW noted that this was within the remit of the Office of the Deputy Prime Minister (ODPM), but that ultimately responsibility had to rest with landlords. Ideally rents should reward good landlords who invest in energy efficiency.

David Hirst (ResponsiveLoad Ltd) asked RC where the line should be drawn between clarity of message and spin.

RC replied that it was important to get the message right in the first place and that clarity was needed to avoid confusion. Debate was often a get-out clause for not changing behaviour.

Andrew Warren (Association for the Conservation of Energy) asked whether the funding was in place to meet the Government's commitment to eradicate fuel poverty in vulnerable households by 2010 and altogether by 2016.

MW noted that this was the first Government to set itself that target, and also the target to abolish child poverty. They were difficult targets but the Government was going to strain every sinew to achieve it.

JM concluded proceedings, noting that there was no silver bullet and that all were facing a challenge.

He indicated that the next Powering the Energy Debate event would be in the New Year and would focus on competition in the EU. In addition, the Authority would be holding a public session in February where Ofgem's corporate priorities would be discussed.