

Consultation Response

Response to Ofgem's consultation on "Monitoring suppliers' social initiatives"

June 2008

Help the Aged wants a world where older people are free from the disadvantages of poverty, neglect and isolation, so they can live with dignity as valued, respected and involved members of society

Company limited by guarantee
Registered in England No: 1263446
Registered Charity No: 272786
Registered Office: 207-221 Pentonville Road, London, N1 9UZ

1. Introduction

Help the Aged welcomes the opportunity to comment on Ofgem's Consultation on "Monitoring suppliers' social initiatives – proposed reporting framework".

Help the Aged is the charity fighting to free disadvantaged older people in the UK and overseas from poverty, isolation, neglect and ageism. It campaigns to raise public awareness of the issues affecting older people and to bring about policy change. Part of our policy agenda is about alleviating pensioner's poverty, including fuel poverty, and we are hence well placed to comment on proposals to alleviate fuel poverty.

2. The wider context and older people's experience of the fuel poverty:

Help the Aged estimates that one in six older households or more than 2 million pensioner households are living in fuel poverty. Older people do not only face a greater incidence of fuel poverty than younger households, but are also at a greater risk of falling to fuel poverty as energy prices rise. Help The Aged has published research reports that analyse fuel poverty in more detail.¹ Energy prices are increasing, and now stand 50 per cent in real terms above their 2003 levels.

Help the Aged welcomes the commitment from energy suppliers to increase their collective expenditure on their social programmes by £225 million over the period 2008-11, but we think this initiative does not go nearly far enough to make a lasting impact and effectively reduce fuel poverty now and in the years to come.

In this light, we welcome the recognition in the consultation paper that the main responsibility for tackling fuel poverty lies with Government, and we are looking at Government to supplement the proposed measures with other initiatives.

The Government has clear targets to end fuel poverty: the Warm Homes and Energy Conservation Act 2000 and the Government's Fuel Poverty Strategy require the Government to end the blight of fuel poverty for vulnerable people, including older people² by 2010, and to end fuel poverty for everyone by 2016. But the Government's own figures and a report from its official advisory group on fuel poverty predict that the 2010 target will be missed by a large margin and that the 2016 target is becoming increasingly difficult to achieve.

Help the Aged is concerned that without a central, dynamic and sustainable strategy from Government which connects affordable energy with a network of energy efficiency measures and income maximisation initiatives, fuel poverty levels will continue to rise.

¹ Adams, Sue and White, Kevin (2006), *Older people, decent homes and fuel poverty: an analysis based on the English house conditions survey*, published by Help the Aged. As well as Wright, Fay (2004), *Older and colder: the views of older people experiencing difficulties keeping warm in winter*, published by Help the Aged. The latter can be found on

http://policy.helptheaged.org.uk/NR/rdonlyres/eflh7g6fqc2zlig3cxgv5bd7iwnvonbachdujhobw6tsw72e6tmirl5hi44xwyx5bgvnomnuiddrsp6yqmbgld7236e/older_and_colder.pdf

² Vulnerable households include households containing old people, children and those with disabilities. Those households are particularly vulnerable to the effects of fuel poverty for a range of health and social reasons.

3. Help the Aged comments on the specific elements of the consultation proposal:

3.1. The proposal to include:

- the cost of suppliers' social tariffs, rebates, trust funds and partnership initiatives towards their social spend targets.
 - Help the Aged comments:
 - There has to be a clear and demonstrable additional spend in these areas for them to count towards the objective
 - These initiatives should make up a maximum of 25% of the package of £225 million that energy companies are committing
- spend on energy efficiency measures where they are clearly additional to suppliers existing statutory obligations
 - Help the Aged comments:
 - This is absolutely the right approach, as these measures would have a long term impact on energy consumption and fuel poverty.
 - These initiatives should make up a minimum of 75% of the package of £225 million that energy companies are committing
- costs for undertaking Benefit entitlement checks
 - Help the Aged comments:
 - We believe that benefit entitlement checks are best performed by trusted intermediaries rather than by commercial companies. The cost incurred by these trusted intermediaries in partnerships with these commercial companies should be allowable.
- recovery of those administration costs which relate to specific projects involving joint working across industry and where suppliers can demonstrate that the costs have been efficiently incurred, that it is good use of their funds and that the funds have been effectively targeted at fuel poor customers or those at risk of fuel poverty.
 - Help the Aged comments:
 - we disagree with the inclusion of these costs, as the proposal is too vague and is not focussed on concrete outcomes.

3.2. the proposal exclude:

- all administration costs associated with the delivery of social programmes
 - Help the Aged comments:
 - We agree with this approach, not in the least because this is an input measure and not an output measure, and Help the Aged thinks that actual additional delivery of social programmes rather than the administrative costs for their delivery merit inclusion.
- suppliers' costs associated with prepayment tariff equalisation policies which apply to all consumers
 - Help the Aged comments:
 - We agree that this measure is too poorly targeted at fuel poor customers and therefore should not be part of the measurements

4. Additional calls from Help The aged that are relevant to this consultation:

4.1. Our calls on energy companies:

- To agree to a minimum common standard for social tariffs, in terms of both eligibility criteria and pricing
- To not just focus on measures that only reduce fuel bills, but to also increase efforts to help pensioners to increase the energy efficiency of their homes
- To commit more resources to programmes that increase energy efficiency over and above the £225 million pledged so far

4.2. Our calls on government:

- To set up a mechanism for accurately identifying all those households suffering from fuel poverty, making use of data held by different government departments such as the pension service;
- To set up a mechanism with energy companies that gives pensioners on pension credit £50 off their energy bill before the end of 2008, given that the more complex data matching of benefits recipients against energy company customer databases will not be in place in time to help people with their bills this year. This mechanism should be simple and easy to for the end users and could take the form of e.g. a voucher that goes to everyone on pension credit and that could be claimed from their energy supplier.
- To set the minimum standards for social tariffs, in terms of both eligibility criteria and pricing
- To recognise the limited impact that market strategies around switching and social tariffs will have in effectively tackling fuel poverty amongst older people;
- To publically recognise that ensuring high levels of energy efficiency provides the key long-term solution to ending fuel poverty³
- To employ energy efficiency strategies to effectively tackle fuel poverty amongst older people;⁴
- To set a minimum standard of energy efficiency for all households being treated for fuel poverty;
- To set up low-carbon home zones in every local authority in the UK in areas where fuel poverty is concentrated. The fuel-poor households in these zones should be treated street by street, house by house to the requisite energy efficiency standard.

³ Friends of the Earth and Help the Aged have filed a judicial review application with the high court to challenge the government for not doing enough to meet its legal obligation to eradicate fuel poverty. The two charities are campaigning for the Government to develop a far more effective and comprehensive programme of domestic energy efficiency, to simultaneously end suffering from fuel poverty and tackle climate change.

⁴ The case for these strategies is argued in the sixth annual report of the fuel poverty advisory group, published in March 2008. <http://www.berr.gov.uk/files/file45365.pdf>

4.3. Our calls on Ofgem

Ofgem should use the final consultation summary report:

- to recognise that attempts to make the markets work for older people in fuel poverty have failed, and that strategies other than market strategies need to be deployed to tackle fuel poverty.
- to continue to recognise that encouraging switching and social schemes of energy providers alone can not stop fuel poverty in its tracks, but that other strategies have to be deployed.
- To support 4.2 and 4.3 above.

For further information, please contact:

Leen Petre
Policy Adviser
Help the Aged
Tel: 020 7239 1885
Email: Leen.Petre@hta.org.uk