Discussion of research into high-use, low-income energy consumers

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The Centre for Sustainable Energy (CSE) identified that there are some consumers on the lowest incomes who are also high users [1]. Ofgem asked CSE to identify who these consumers are and why they are high consumers to help aid our understanding of energy consumers.

A meeting was held at Ofgem on 16 March to present and discuss the research and what lessons could be drawn from it. This note identifies the main themes arising from that discussion.

Attendees

Louise Sunderland, ACE	Suzanne Jesper EDF
Mervyn Kohler, Age UK	Brenda Boardman ECI, Oxford
Duncan Mills Centrica	Derek Lickorish, Chair FPAG
Simon Roberts, CSE	Gill Owen, Deputy Chair, FPAG
Vicki White, CSE	David Mannering npower
Ian Preston, CSE	Richard Westoby SSE
Jonathan Stern, Consumer Focus	Maxine Frek, Ofgem
William Baker, Consumer Focus	Jude Cummins, Ofgem
Samuel Jenkins, DECC	Kate Smith, Ofgem
Isobel Robertson EDF	Michela Beltracchi, Ofgem

Summary of the discussion

The different characteristics of high use low income consumers are likely to impact them in different ways. For example, off grid rural homes may be more costly to treat and therefore may be less attractive for assistance from programmes such as CERT. Electricity-only consumers are likely to face a greater proportion of environmental programmes included with their bills than those who have access to gas for heating, eg the Renewable Obligation, feed-in-tariffs and, in future the Carbon Floor Price relate to electricity consumers. The costs of CERT, for example comes from both gas and electricity consumers.

There was recognition of the need to consider how social and environmental targets are set in future. Setting targets based on kWh rather than numbers of consumers may be more equitable overall. However, those consumers who are high use but low income may be impacted disproportionately by these costs. To help avoid this, the programmes need to be designed to ensure such consumers can access the benefits.

It was noted that if the income data used in CSE's study was 'equivalised' (ie the income was divided by the number of people in the property) it may show more young families to be high use and low income and less elderly single occupiers. The latter category were

[1] http://www.cse.org.uk/downloads/file/exploring%20'energy%20justice'%20background%20paper.pdf

identified in the research as more likely to be high use, low income. Some elderly single occupiers may in fact be asset rich whilst being income poor. There was a discussion about the sensitivities with tackling this issue as people, rightly, want to stay in their family homes and leave an inheritance for their children. Under occupancy demands high energy use but in practice, consumers may under heat their homes in order to manage their bills.

There was a discussion about whether high use, low income is a constant or a variable state for certain consumers. Income can vary over time, for example if someone is made redundant, but often this in turn influences their consumption. The situation may be more persistent for the elderly whose situation is unlikely to change over time. Younger people in this group may face more change with their circumstances.

There was a discussion about how best to support these consumers to lower their consumption. Gas central heating would be beneficial for many of these consumers, though access to gas is a problem. Therefore insulation measures are important followed by tailored behavioural advice. This very much depends on whether the high use is as a result of high use or high *need*. From the data used it is difficult to identify whether the homes in the report are over heated or under heated. Some consumers in this category may receive measures such as insulation but still remain in this category if, for example, they are under occupiers. However, other evidence suggests that under occupiers are more likely to under heat their homes and be low consumers.

There was a discussion about how these characteristics could potentially be used to help identify and target households for support. One idea was that being off the gas grid could be a criterion for the Warm Home Discount to identify those who may be struggling to achieve affordable warmth. Alternatively they could be identified as referrals to the future ECO programme. One suggestion was to develop a points system for identifying the different characteristics of energy consumers, eg consumption, house type and condition, whether on or off the gas grid, then building up to identify energy needs.

Energy consumption can vary greatly between different consumers, for a range of reasons. Consequently it is hard to generalise and identify 'average' consumers. A huge range of information and data is needed to understand consumption and what influences it. To better understand the different characteristics of consumers it was suggested to start high level with big data sets then add further granularity to understand different energy use and energy needs. The work by CSE helps us better understand these consumers but it doesn't tell us whether it is profligacy, inefficiency or need driving their high use. Many low income consumers are frugal, but this report shows that not all are. There is a need to identify those consumers who are inefficient, those who have discretionary use as well as identifying those consumers who have large energy needs.

Summary

1. To better identify and understand consumers it is helpful to identify their level of consumption and income. However, it is important to understand the reasons or circumstances for this, eg is the root cause the efficiency or condition of their home, occupancy level, behaviour or any special circumstances. Identify high use vs high *need*.

2. It is important to understand the distributional impacts of social and environmental programmes on different consumer groups. Costs are spread relatively evenly and thinly however benefits are often distributed in a more lumpy way. Setting suppliers' targets based on consumption is likely to be fairer overall. However, to mitigate any potential impact on high use, low income consumers, they should be able to access the benefits of these programmes.
3. In targeting and supporting these consumers, it would be helpful to better understand those consumers who most need support to ensure affordable warmth and manage their energy bills weighed up with the additional cost to identify and help them.