

Cyngor Ar Bopeth Cymru
Citizens Advice Cymru



Response to the National Assembly for Wales' Environment and Sustainability Committee's inquiry into energy efficiency and fuel poverty in Wales – June 2014

Context

1.1 Fuel Poverty is a clear priority for Citizens Advice Cymru, given the importance of a manageable energy bill to our clients who are often struggling with a number of other financial problems. From April 2014 our new statutory role brings a clear responsibility to advocate for all energy consumers on government policies which affect them¹.

1.2 There are three factors which cause a household to be in fuel poverty:

- high energy prices
- low/insufficient incomes
- an energy inefficient home

1.3 We acknowledge that the Welsh Government has few devolved policy levers to directly reduce the price of energy. Supporting energy efficiency measures, and the provision of advice on reducing energy consumption or income maximisation are the most immediate means at its disposal to directly address fuel poverty.

1.4 By committing significant funding to improve the energy efficiency of people's homes, the Welsh Government has clearly recognised where it can make a difference. We also acknowledge that tackling fuel poverty is only one intended outcome of Nest and Arbed, alongside environmental and economic goals.

Citizens Advice Cymru: Planned Research

1.5 Citizens Advice is seeking to ensure fuel poverty schemes across Great Britain are resourced, targeted and implemented effectively. The level of resourcing for energy efficiency programmes from Welsh Government is hugely welcome, and of real benefit to the thousands of households who receive help.

1.6 Citizens Advice Cymru is currently scoping research, to be undertaken this winter, into consumers' experiences of fuel poverty schemes in Wales. This research will aim to provide evidence about the impact and benefit of Nest, Arbed, and ECO from the consumer perspective, in order to inform the evaluation and future implementation of these schemes.

¹ On 1st April 2013 responsibility for consumer representation was transferred from Consumer Focus to the Citizens Advice Service (including Citizens Advice Cymru) following the UK Government's review of the consumer landscape. From 1st April 2014 this includes statutory functions and responsibilities to represent post and energy consumers.

1.7 We are concerned that current monitoring of the three schemes does not adequately capture 'real life' outcomes for consumers, that it does not facilitate constructive scrutiny and technical analysis by external bodies, or assist in making recommendations as to how the design of the schemes can be strengthened in future. We feel this necessitates further research to complement the existing reporting.

1.8 Our research will provide a significant contribution to the issues the Committee is considering and will be happy to share its findings when completed.

Progress towards meeting the Welsh Government's statutory targets for eradicating fuel poverty in Wales by 2018

2.1 The Welsh Government introduced its statutory fuel poverty targets in 2003².

Since then wholesale prices have increased, suppliers have been mandated to make substantial investments in infrastructure and green policies all paid for by repeated increases in the average fuel bill.

2.2 Progress towards these targets is therefore potentially affected by factors outside the control of governments. Consumers may not see any improvement to their finances from energy efficiency measures because energy price rises have offset the savings made.

2.3 Prices are likely to continue to rise. Therefore the Welsh Government should continue do everything reasonably practical to meet its targets. Urgently prioritising energy efficiency measures will at least help to mitigate the impact of future price rises on fuel poor households' bills.

2.4 However it is the action taken, and the benefit felt by struggling households which is the most important test of any scheme's effectiveness. As far as people who cannot afford to heat their homes are concerned, progress towards targets does not *in itself* demonstrate real life impact. Nor does it provide a clear direction of travel for future policy.

2.5 Citizens Advice Cymru would define the key 'symptoms' of fuel poverty from the consumer perspective as:

- Inability to afford household energy bills
- Foregoing of other essential goods and services to pay energy bills
- Inability to heat their home to an acceptable level³
and
- Debt, stress or ill health caused or exacerbated by the above

Recommendation

- Citizens Advice Cymru recommends that evaluation of fuel poverty schemes should monitor impact on the above 'symptoms' of fuel poverty using self-reporting data from recipients, as well as calculating projected savings.

² Welsh Government - *A Fuel Poverty Commitment for Wales*(2003)

³ The World Health Organisation defines 'adequate warmth' as 21°C in the living room and 18°C in the other occupied rooms during daytime hours http://www.euro.who.int/_data/assets/pdf_file/0008/97091/E89887.pdf

The impact of the Welsh Government's existing energy efficiency programmes (Nest and Arbed) and UK Government initiatives such as the Green Deal

Current reporting

3.1 Nest currently reports on the amount spent, the number and nature of measures installed, details of the property, and estimates projected savings to each household based on the improved SAP rating⁴. Nest also report figures showing 98% of recipients are 'satisfied' or 'very satisfied', and very low numbers of complaints at only 2%⁵.

3.2 The evaluation of Arbed Phase One⁶ adopts a similar approach based on modelling of SAP ratings, and projected impact on energy use by unit. It also reports on the extent to which recipients of each of the different measures available report that they saved them money, or made a difference to the effectiveness of the heating system in their home. This additional data is particularly welcome, as it relates directly to recipients' wellbeing.

3.3 Neither Welsh scheme explicitly attempts to measure whether recipients of measures were in fuel poverty before and after the installation of measures. However they are not unique in this, as all other GB fuel poverty schemes have evaluated success based on projections and proxy measurements (with one exception⁷). The Welsh Government's methodology is therefore not unreasonable, but it is not sufficient in itself to demonstrate improvements to consumers' quality of life.

Recommendation

- Citizens Advice Cymru recommends that Nest should, like Arbed, collect self-reporting data from recipients about their ability to afford bills and heat their home after receiving measures. This will ensure that their experiences are at the heart of monitoring and evaluation, and that they drive the design of future iterations of the schemes.

Improving monitoring of Nest and Arbed

3.4 The Minister for Natural Resources and Food has committed to continue funding energy efficiency schemes for the immediate future. However any future reductions to the Welsh Government's budget may impact delivery. This lends urgency to ensuring, through robust monitoring, that the money currently being spent is making the greatest possible impact.

3.5 We have concerns about the ongoing use of 2008 *Living in Wales* data as the baseline for fuel poverty projections in Wales. Using data from six years ago risks

⁴ The Standard Assessment Procedure (SAP) is the methodology used by the Government to assess and compare the energy and environmental performance of dwellings. Its purpose is to provide accurate and reliable assessments of a dwelling's energy performance that is needed to underpin energy and environmental policy initiatives.

⁵ Nest Annual Report 2012-13

<http://nestwales.org.uk/content/download/215/1599/file/Nest%20annual%20report%20April%202012%20-%20March%202013%20English%20Language.pdf>

⁶ Welsh Government - Evaluation of Arbed Phase One

<http://wales.gov.uk/docs/desh/publications/121011energvarbedevaluationen.pdf>

⁷ Centre for Sustainable Energy and National Energy Action, 2005, *Warm Zones external evaluation final report*, Energy Saving Trust

giving an increasingly out of date picture, and limits the Welsh Government's ability to respond to any emerging trends.

3.6 England and Scotland base their fuel poverty projections on the English Housing Survey and Scottish House Condition Survey respectively. Both surveys are run on a continual basis, taking two years to compile and report data from each. Whilst this doesn't offer an up to the minute picture, it does allow robust reporting of fuel poverty and other housing trends as detailed assessments are undertaken within each home.

3.7 Effective targeting requires robust and recent data from households in Wales, and a household survey would be the most preferable way to achieve this. However we recognise this may be prohibitively costly in the current climate, and therefore suggest that the existing Wales National Survey could provide an alternative.

3.8 The Survey already collects data on incomes and personal finances; importantly this includes the extent to which households are keeping up with bills. Collecting additional data on home energy efficiency performance alongside income could provide a proxy for full SAP evaluation, and therefore of fuel poverty in a household.

3.9 This would enable the Welsh Government to make more up to date and robust estimates of fuel poverty nationally, and link them to wider wellbeing measures, levels of debt, and physical/mental health in a household. It would also facilitate more detailed analysis of the impact on different demographics, and comparisons across the nations. This data should then be published as part of the ongoing reporting against the Tackling Poverty Action Plan and subject to scrutiny by the Assembly.

Recommendation

- Citizens Advice Cymru recommends the Wales National Survey collect data on the following, to be used in the monitoring of fuel poverty:
 - Physical characteristics of dwellings – e.g. number of rooms, type of walls
 - Energy performance certificate (EPC) rating of dwellings
 - Heating type and Fuel type
 - Average monthly expenditure on energy

Integrating Welsh schemes and ECO

3.10 The Welsh Government should also seek to ensure its schemes complement ECO by targeting those properties which currently fail to benefit from it, and ensuring harder to treat homes receive help whilst it is affordable to do so.

3.11 We refer the Committee to the independent evaluation of the first year of ECO undertaken by the Centre for Sustainable Energy (CSE)⁸. They found that suppliers were choosing cheaper and easier to deliver options, in order to discharge the obligation at least cost to their customers. In practice this has meant prioritising cavity wall insulation over solid wall insulation, for example.

⁸ Centre for Sustainable Energy - 'Evaluating the Energy Company Obligation' <http://www.cse.org.uk/projects/view/1225>

3.12 The evaluation also flagged up that ECO has almost entirely delivered single measures, whereas fuel poor households often require a package of measures – heating and insulation.

Recommendation

Citizens Advice Cymru recommends the Welsh Government work closely with the UK Government, sharing data regarding which groups are and are not receiving support from the respective energy efficiency schemes to ensure they can be targeted in a way which complement each other.

The implementation to date by the major energy suppliers of the Energy Company Obligation (ECO) and other measures to alleviate fuel poverty in Wales

4.1 We again refer the Committee to the CSE's evaluation⁹. It finds that there is a 'mismatch between DECC's expectations for ECO and the reality experienced', attributing these problems in part to 'commercially driven responses to its policy proposals'.

4.2 One of CSE's specific conclusions is particularly relevant to Wales.

"Activity under the Home Heating Cost Reduction Obligation (HCRO- previously Affordable Warmth) strand of ECO which targets low income households has so far focussed on replacing boilers in urban, gas-heated homes, leaving rural households disadvantaged. To date, the rural element of the Carbon Saving Community obligation (CSCo) has not offset this bias."

4.3 DECC's recent ECO consultation includes proposals for more HCRO activity to take place in off-gas properties. However, it is not yet clear whether this will redress the balance.

4.4 Given Wales' high proportion of rural households, and of households off the gas network, this finding should be of concern. It further underlines that the design of energy efficiency schemes should ensure incentives for those delivering measures are around meeting customer need.

Recommendation

Citizens Advice Cymru recommends that the Environment and Sustainability Committee seeks information from the Big Six energy suppliers on their expenditure on ECO in Wales, and whether they believe the design of the scheme ensures those in the greatest need of help receive it.

⁹ CSE Ibid