

Sustainability Committee

SC(3)-22-09 (p4): 26 November 2009

British Gas written evidence submission

Evidence session on Fuel Poverty in Wales, 26 November 2009

Introduction

British Gas is the largest energy supplier in the UK. In Wales we supply gas and electricity to approximately 1m customers. We are a major contributor to the Welsh economy, employing around 1,200 customer service agents in Wales and a further 500 heating installation and maintenance engineers. We also own and operate a gas fired power station in Barry. We recently announced the Green Skills Training Centre in Tredegar which will provide green skills training for 1,300 people each year.

British Gas is proud of the industry lead we have demonstrated in the area of fuel poverty and we take our responsibility to protect our more vulnerable customers extremely seriously. Since 2002 we have helped over 1.3 million fuel poor customers, going far beyond our statutory obligations.

We are delighted to submit written evidence to the Committee and our response to the Committee's questions are detailed below.

What actions have you undertaken to combat fuel poverty in Wales during the last year?

All of our fuel poverty schemes, voluntary or statutory, operate in Wales. These are split between voluntary initiatives and initiatives under Government obligated programmes such as Carbon Emission Reduction Target (CERT) and Community Energy Saving Programme (CESP).

1 - Voluntary initiatives

Essentials package

The Essentials package for vulnerable and low income customers provides tailored help to reduce energy bills through energy efficiency, tackle debt issues, maximise incomes and provide specialist support through our charity partners.

For eligible customers, it guarantees a tariff which will always be cheaper than our standard prices. We currently have 500,000 accounts on the Essentials tariff, approximately 22,500 of these in Wales. In 2010, we will continue to guarantee that our Essentials tariff will always be cheaper than our standard prices.

Eligibility criteria is defined as household income of less than £15,500 and in receipt of a non means tested and a means tested benefit, or over 70 on pensions credit.

British Gas Energy Trust

BGET is an independently administered charity which makes direct financial grants to help with energy and other household bills to individuals and organisations.

2 - British Gas initiatives under CERT / CESP

2a Here to HELP

Here to HELP is an initiative aimed at providing residents with the home essentials they need to improve their quality of life. Here to Help was first introduced in 2002 but subsequently qualified for accreditation under CERT.

The aim of the scheme is to address the root causes of household poverty by offering a package of energy efficiency products and essential services to the home, free of charge, to some of Britain's most deprived communities.

This aids improvement in both living conditions for residents and the condition of housing stock.

• Residents could receive:

*Free energy efficiency products (such as cavity wall and loft insulation)

*Free safety products

*Free security products,

Help in claiming benefits

*Free Quality of Life Check

*Free tailored advice and services from our 'here to HELP' charity partners. The programme is delivered in association with Local Authorities, Housing associations and four charities.

2b British Gas Social Housing scheme

Through our CERT obligation, we support a variety of social housing providers in Wales to ensure that eligible householders receive free energy saving products and service. We work in unison with Social Housing Providers to ensure eligible householders receive free energy saving products and service.

The scheme is managed either fully by the social housing provider or through a managing agent who controls the surveying, installing, inspecting and reporting of the works.

2c Council Tax Scheme

The innovative Council tax scheme contributes towards delivering the CERT obligation and utilises fiscal measures to deliver energy efficiency improvements to customers' homes.

- This helps to encourage the take - up of energy efficiency
- The scheme is promoted to customers via the participating council
- The councils use a dual branded letter & leaflet which is included in the council tax bill
- Partnerships between British Gas & Councils
- Subsidised energy efficiency products are available

- Customers can save up to

- £115 on annual energy bills from Cavity Wall Insulation
- £150 on annual energy bills from Loft Insulation
- 50% to 60% of hot water demand
- Up to £125 council tax rebate per household
- Up to £400 rebate on Solar hot water system

3 - CESP

The Community Energy Saving Programme consists of significant packages of energy efficiency measures to households in low-income communities.

British Gas has announced its 10 flagship areas - one of which is in Swansea. British Gas is the first energy supplier to announce a local authority to deliver the community by community model of energy efficiency improvement envisaged by CESP.

Other investments and measures

4 - British Gas Green Skills Centre

British Gas is involved with the creation of the UK's first Green Skills Training Centre. This will train up to 1,300 people each year including provision to help enable local long term unemployed people to find work in the emerging green economies annually. The Welsh Assembly Government has identified 44,000 homes across the Heads of the Valleys area which require energy efficiency improvements. British Gas wants to play a significant role in helping implement these measures as well as providing a training facility which will allow people to participate in the transition to a low carbon future.

5 - Energy Savers' Report

It is worth noting the importance of the Energy Savers Report as it has contributed significant savings to our customers' annual energy bills. Available to all 15.7m British Gas customers, our tailored Energy Savers' Report enables customers to complete an audit of their household energy consumption and energy efficiency performance. Over 100,000 customers have now completed ESRs in Wales, creating an average energy saving per annum of £175 per household.

B - Breakdown of fuel poverty measures in Wales in 2009

1 - Voluntary Measures

1b - Essentials

We have approximately 22,500 customer accounts in receipt of the Essentials package in Wales. In announcing its price rise of July 2008, British Gas announced it would postpone the price increase until April 2009 for its most vulnerable customers. This represented an average saving of £214 per household. Essentials customers also benefited from 10% reductions in both gas and electricity prices in 2009.

1b - British Gas Energy Trust

Since the inception of the Trust, £320,954 has been allocated to individuals and organisations in Wales to assist in addressing household financial hardship. In 2009, an additional £50,000 was awarded to groups and individuals in Wales.

Grants to individuals and families in Wales:

2005: 36 awards £14,781
2006: 81 awards £31,371
2007: 152 awards £96,013
2008: 94 awards £49,865
2009 to date: 35 awards £29,269

Organisational Grants supported:

1. Merthyr Tydfil 2005-2008: = £79,134
2. Caerphilly County CAB 2005-2007 = £71,259
3. Flintshire CAB 2006-2008 = £50,000
4. Canolfan Cynghori Bro Ddyfi 2007 - 2008 = £70,000
5. Organisational grants awarded 2009 to date = £21,292

Total £320,954

2 - British Gas initiatives under CERT and CESP

2a - HERE to HELP:

In 2009, a further **6,295** measures have been installed into social housing in Wales in the following areas:

Anglesey:

Total Jobs completed: 2566
Total measures: 2950
Quality of life assessments: 3347
Charity referrals: 119

Bro Myrddin:

Total Jobs completed: 56
Total measures: 64
QOL: 30
Charity referrals: 2

Cyngor Gwynedd

Total Jobs completed: 273
Total measures: 314
QOL: 417
Charity referrals: 8

Gwynedd

Total Jobs completed: 2348
Total measures: 2670
QOL: 2578
Charity referrals: 97

Valleys to Coast

Total Jobs completed: 258
Total measures: 297
QOL: 482
Charity referrals: 17

A further 11,829 measures were installed into private housing but we do not have the breakdown of where these installations took place at time of reporting.

829 benefits healthchecks were conducted in Wales in 2009 as part of the Here to HELP scheme. Our research shows that an estimated £1,500 is identified per household per annum as a result of the benefit healthcheck being conducted. On this basis, the benefit healthcheck could have contributed over £1.2m additional income directly back to Welsh households during 2009.

2b - Social Housing Partnerships (Referrals and Measures completed)

Measures completed in 2009: 5467

Bro Myrddin : 9 measures

Cardiff: 197 measures
Ceredigion County Council: 335 measures
Clwyd Alyn: 423 measures
North Wales Housing Association: 441 measures
Pembrokeshire County Council: 1544 measures
Tai Clwyd Housing Association: 200 measures
Tai Eryri: 31 measures
Valleys to Coast: 2287 measures

2c - Council Tax Scheme (Measures implemented and rebates paid out)

Camarthen County Council: 2 measures
Conway County Council: 3 measures
Merthyr Tydfil County Council: 2 measures
Monmouthshire Council: 125 measures

3 - CESP obligated measures

Swansea announced as flagship scheme in Wales and will include the following measures:

Loft Insulation
Cavity Wall
Solid Wall
CHI
Fuel switching
Boilers
Heating Controls
Draught Proofing

Total Measures installed under all CERT schemes in 2009 to date (Oct)

Able to Pay - 688
ere to Help Private - 11,849
Here to Help Social - 6,295
Social Housing - 5,467
Total Measures - 24,299

Total CO2 savings under all CERT schemes in 2009 to date (Oct)

Able to Pay - 15,853
Here to Help Private - 233,597
Here to Help Social - 91,861
Social Housing - 37,944
Total CO2 savings - 379,255 tonnes

How are you implementing Government policies and how are these working?

The UK Government has introduced a range of policies to tackle fuel poverty which has led to a record level of investment by suppliers and Government. Under CERT, suppliers have applied innovation by working in partnership with local authorities and charities. However, despite this level of investment, numbers of people in fuel poverty are increasing. Every 1% increase on energy bills puts an additional 40,000 people in fuel poverty.

The original definition of fuel poverty was coined before current environmental, infrastructure and energy security pressures on energy bills were fully apparent. It is now generally accepted as fact that meeting the challenges of climate change and energy security will have to be met with higher energy bills. In the "Low Carbon Transition Plan", the Government estimated that bills would rise by as much as 8% as a result of policies such as smart meter implementation and the Carbon Capture and Storage (CCS) levy by 2020. This figure is quite modest as it also assumes a high degree of demand destruction. A recent report by Ofgem, concluded that retail prices will increase by between 14% and 25% - with spikes of up to 60% - by 2020.

We believe that there should be a root and branch review of fuel poverty. For example, Government is proposing to mandate social tariffs but social tariffs will not alone remove people from fuel poverty. Indeed, mandation may have the opposite effect of pushing more people into fuel poverty as the increased cost of giving more customers a social tariff is spread across consumers bills.

Energy efficiency also has a key role to play and the CESP programme could provide the ideal model for helping people in the most deprived areas of the country. Again, HMG is considering how domestic energy efficiency should be delivered after CERT and CESP end in 2012 and we welcome their ambition to deliver energy saving measures to homes, more quickly. Our approach to realising this ambition envisages a model which:

- Uses a community approach by community approach, with suppliers working in partnership with local authorities
- Integrates delivery of 'whole house' energy efficiency packages with the national roll-out of smart meters
- Keeps a 'demand-led' component, so that people who want to save money and cut emissions before the co-ordinated roll out commences can do so.

We believe that the investment in the British Gas Green Skills Training Centre in Tredegar is an industry-leading demonstration of our commitment to the above principles and puts Wales at the forefront of the transition to a low-carbon future for the UK.

Government also needs to be bold in tackling fuel poverty. There is huge scope to ensure people claim the benefits to which they are entitled - British Gas has demonstrated through its Here to HELP scheme that this can be a highly effective way of increasing household income. Unclaimed benefits total around £8bn in the UK including around £5bn for pensioners. Government should also look at targeting the winter fuel allowance which currently goes to 12million pensioners "irrespective" of need, at a cost to the government of £2.5bn. This money could be much better targeted at the most vulnerable pensioners and if paid directly to the energy suppliers, could be used to directly reduce the energy bill.

We welcome the Welsh Assembly Government's consultation paper on a new fuel poverty plan to target the most vulnerable customers. This highlights the requirement for better co-ordination of the assistance packages available to vulnerable and fuel poor households and we look forward to responding to this consultation in due course.

How much are we spending on fuel poverty?

In 2008, British Gas agreed to spend £125m as part of the supplier fuel poverty agreement over the period 2008-2011. Our projected spend for 2008-2010 was £76m and our actual spend will amount to approximately double this amount at £152m, of which approximately £7.5m will be spent in Wales.