

# Sustainability Committee

SC(3)-22-09 (p9): 26 November 2009

## Energy Retail Association written evidence

The Energy Retail Association (ERA) welcomes the opportunity to submit a short paper ahead of the Sustainability Committee's evidence session on fuel poverty on the 26<sup>th</sup> November.

The ERA represents electricity and gas suppliers in the domestic market in Great Britain. All the main energy suppliers operating in the residential market in Great Britain are members - British Gas, EDF Energy, RWE npower, E.ON Energy, Scottish and Southern Energy and ScottishPower.

The ERA's members welcome the opportunity to engage with Welsh Assembly Government and help achieve targets related to greenhouse gas emissions, energy efficiency and fuel poverty. The ERA is invited to attend meetings of the Welsh Fuel Poverty Advisory Group, the Cross-Party Fuel Poverty Group, and also regularly meets the Minister for the Environment, Sustainability and Housing, Jane Davidson AM.

The ERA's members will be responding individually to the Committee's call for evidence.

### 1. Energy Efficiency

Energy suppliers are investing significant sums in tackling fuel poverty in accordance with their voluntary social obligations as well as through regulatory instruments such as the Carbon Emissions Reduction Target (CERT). WAG must ensure that its existing policies are working effectively and focused on those who need help the most.

Exploring and tackling fuel poverty in a better targeted manner requires an holistic approach which recognises the importance of all the contributing factors. For example, the under-claiming of benefits is an increasingly serious factor in dealing with poverty in general which may merit WAG looking into this issue in more detail.

Energy suppliers work under their CERT obligations to reduce carbon emissions, with 40% to be focused on a priority group of lower income customers; between 2008 and 2011 CERT delivery is expected to cost close to £4 billion. The ERA members will also be spending £375 million over the next three years on voluntary social programmes such as winter rebates, benefits entitlement checks, social tariffs and hardship fund payments. These are part of a concerted package of practical help to pay fuel bills, over and above other obligations such as CERT. However we believe that fuel poverty and energy efficiency/carbon reduction are separate issues which should be addressed through separate policy instruments.

The new Community Energy Saving Programme (CESP), estimated to cost £350 million, will target households, across Great Britain, in given geographical areas to improve energy efficiency standards, and permanently reduce fuel bills. It will promote a whole-house approach and will be delivered through the development of community-based partnerships (involving local authorities) along with suppliers and generators. Partnership working will allow CESP to be implemented in a way that is best suited to individual areas and coordinated with existing initiatives. It will also aim to take hard-pressed families out of fuel poverty by focusing on areas of disadvantage. Energy suppliers are keen to work with local authorities in Wales in order to see whether CESP trials can take place.

The ERA's members are continuing to work with the Energy Saving Trust (EST), Ofgem and DECC on the development of the Homes Energy Efficiency Database (HEED). This is an online resource that provides detailed information on the energy efficiency of the UK housing stock. The database brings together a wide range of existing sources of data on household energy efficiency and currently contains information on 7.6 million homes (29 per cent of the UK housing stock). HEED Online is intended to be a key source of information for all people whose responsibilities include the monitoring, reporting or targeting of energy efficiency.

### 2. Voluntary social commitments & the Home Heat Helpline

Last year, as part of their voluntary social commitments, energy suppliers committed over £150 million to initiatives such as price freezes, trust funds, and social tariffs. This included:

- £130 million on social tariffs
- £11 million on trust funds
- £10 million on rebates
- And almost £6 million on various other schemes to tackle fuel poverty

As part of their voluntary social commitments energy suppliers operate the Home Heat Helpline (0800 33 66 99). In many cases, it has proved hard for vulnerable customers to access help that may be available, which was the reason that the ERA set up the Helpline in 2005. The Helpline is the first and only free-phone helpline that is entirely focused on helping people who are struggling with their energy bills. It provides a central contact hub through which specially trained advisers are able to offer advice about reducing energy costs, and to transfer the caller to the specialist team at their energy supplier.

On the 8<sup>th</sup> October 2009, the ERA held an event in the Senedd (supported by the Cross-Party Fuel Poverty Group) which launched the bilingual Little Book of Energy at which Jane Davidson AM spoke. The ERA was also pleased that the promotion of the Helpline in Wales,

with support from the Older People's Commissioner for Wales, earlier on in 2009, had resulted in high call volumes from Wales.

New research published on 10 November 2009 by the Home Heat Helpline has revealed that 254,000 households in Wales were missing out on savings on their energy bills. Of the top ten communities in Great Britain with the highest concentration of eligible households, five were located in Wales - Blaenau Gwent, Merthyr Tydfil, Neath/Port Talbot, Caerphilly and Rhondda, Cynon, Taff. Overall, 20% of households in Wales could benefit from free insulation grants compared to 14% across Great Britain as a whole.

The Missing Millions research, carried out by independent think tank the New Policy Institute (NPI), highlighted low income households claiming either out-of-work or disability benefits, working tax credit or pension credit, who could benefit from the insulation grants. For more information on the research, please see the full report (attached with this letter).

### **3. Safety Net for Vulnerable Customers**

ERA members have signed up to a 'Safety Net for Vulnerable Customers' pledging to never knowingly disconnect a vulnerable customer - in Wales and the rest of Britain - at any time of year, where for reasons of age, health, disability or severe financial insecurity, that customer is unable to safeguard their personal welfare or the personal welfare of other members of the household.

Assessing vulnerability has to be on a case-by case basis as these customers each have their own needs. To enable suppliers to offer the most appropriate support, each customer's individual circumstances must be taken into account. However, the ERA's members have agreed a definition to provide a framework within which they can assess customers' potential vulnerability. This definition is:

- A customer is vulnerable if for reasons of age, health, disability or severe financial insecurity, they are unable to safeguard their personal welfare or the personal welfare of other members of the household.

Suppliers make considerable efforts to encourage all customers in Wales to discuss their circumstances with them directly so that an appropriate payment arrangement can be put in place to cover ongoing usage and recover any debt. Suppliers make numerous attempts to contact customers, based on the information they hold for that customer, before resorting to disconnection.

It is often the case that vulnerable energy customers have multiple debts and their circumstances may require a more holistic approach in order to provide effective support. In these cases, suppliers will encourage customers to seek independent advice from an advice agency. Where a supplier's agent can establish that a customer in Wales is receiving any form of state benefit this will be taken into account in order to assess the customer's ability to make repayments.

Ofgem recently investigated the practice of disconnection and found that it was "satisfied that on the whole Suppliers' policies and procedures to identify vulnerable customers and prevent them from being disconnected are largely satisfactory" and its identification of many aspects of best practice. Ofgem's also recognised the continued fall in disconnection rates and assessed that the ERA Safety Net "works well and provides welcome additional protection to vulnerable customers".

As Ofgem noted when welcoming the ERA's work in this area, the Safety Net was evidence of the

"clear commitment from Suppliers to protect vulnerable customers from disconnection". The ERA was pleased to work with Ofgem on changes to the Safety Net, and is committed to working with stakeholders in the future to ensure that the Safety Net continues to offer genuine protection to vulnerable customers in Wales.

### **4. Priority Service Register**

Domestic electricity and gas suppliers have licence obligations to offer special services to customers who are of pensionable age, blind, deaf, disabled or who are chronically sick (i.e. have a long-term medical condition). These services are available to these customers on their supplier's Priority Service Registers (PSR) and cover:

password schemes,

repositioning of a pre-payment meter where

the customer finds it difficult to use,

redirecting bills to third parties,

quarterly meter readings,

free gas safety checks.

Suppliers may also move a meter free of charge if it is in an unsuitable position. For example, a meter may be lowered from an overhead cupboard if the customer is wheelchair-bound. Suppliers encourage eligible customers to take up their PSR options and the industry continues to work towards improving awareness of the PSR such as working with advisers, health workers and social service providers, to encourage eligible customers to register themselves on the PSR.

### **5. Energy Cost Support Scheme**

The Energy Cost Support Scheme is an initiative from the Department for Work and Pensions (DWP) and energy suppliers to provide a credit to the energy bills of older poorer pensioner households who have the greatest risk from excess winter deaths and a have a high

incidence of fuel poverty. Information provided by DWP will be matched with supplier data to identify those people who are eligible and which suppliers will be providing the payment.

Energy suppliers, Department of Energy and Climate Change (DECC), and DWP are currently working on a pilot programme - it is hoped that the results from the matching of the DWP and supplier information will be available in March/April 2010 and it is anticipated that payments will start to be made 3 to 4 weeks after that (depending on how customers pay for their bills e.g. direct debit, PPM, standard credit etc).

## **6. Smart meters**

The support that WAG has shown for an accelerated universal roll-out of domestic smart meters has been most welcome and greatly appreciated by energy suppliers. They will bring about the end of estimated bills and meter readings, and empower customers to make choices on how much energy they use.

The development and roll-out of smart metering will be a key industry initiative over the period 2010-2015 and we expect that Ofgem will take a key role in defining the industry arrangements for smart metering and the necessary supporting legislation.

The ERA has provided a comprehensive response to the DECC consultation and there are a number of proposed areas of work where we believe that Ofgem must take a lead role. Funding arrangements will need to be agreed to facilitate the appropriate resourcing of smart metering development and it will be important to have industry expertise at the hub of any central industry programme.

Tackling fuel poverty and helping vulnerable customers will remain a priority for the ERA and its members. The ERA is also planning on responding to WAG's latest consultation on fuel poverty. Should you or the Committee have any further questions, please do not hesitate to contact me.

Best wishes

**Peter Kocen**

PUBLIC AFFAIRS MANAGER