

Mr Mick Bates AM
Chairman, Sustainability Committee
National Assembly for Wales
Cardiff
CF99 1NA

18th November 2009

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Dear Mick,

**RE: Sustainability Committee Meeting of 26th November 2009:
Evidence Session on Fuel Poverty in Wales**

Thank you for your letter dated 5th October 2009, inviting ScottishPower to provide written and oral evidence to the Sustainability Committee in relation to fuel poverty in Wales.

ScottishPower welcomes the opportunity to give evidence to the Sustainability Committee and to outline the company's efforts to alleviate fuel poverty in Wales. I am delighted to confirm that Gillian Noble, Head of Energy Services at ScottishPower Energy Retail, will provide oral evidence to the Committee on Thursday 26th November. Gillian has responsibility for the delivery of all energy efficiency and fuel poverty government obligated schemes within the company.

In the meantime, I am happy to provide an update on some of the developments, which have taken place since the company last provided oral evidence to the Committee.

Voluntary Social Spend Agreement

Total Social Programme Spend:

As previously advised, all suppliers have a Voluntary Agreement with the UK Government to increase collective expenditure on social assistance programmes by £225m, from the 2007/08 baseline spend of the industry, over the period April 2008 to March 2011. In 2008/09, the target spend for ScottishPower was £10m. This increased to £14m for the current year (2009/10) and it is anticipated that it will further rise to £16m in the final year of the Agreement.

In the first year of the Agreement (2008/09), ScottishPower spent £10.3m on a number of qualifying social initiatives within the Ofgem framework. The following sections highlight specific programmes contributing to this total spend.

Fresh Start Social Tariff:

In December 2008 ScottishPower launched its 'Fresh Start' Social Tariff. The tariff complies with Ofgem's Social Tariff definition in that it is the cheapest tariff on offer in a region to a customer - including all online tariffs - regardless of payment method. All eligible customers were given the opportunity to pre-register for this tariff, which went live in February 2009. All Fresh Start customers' bills were backdated to 1st January 2009 with the reduced social tariff rates to ensure as much benefit as possible was derived in the winter period.

ScottishPower took the action to automatically transfer all Priority Services Register and Fuel Direct customers to our social tariff on the basis that both were a good indicator of vulnerability. To be eligible for Fresh Start customers must be aged 60 or over and be in receipt of a qualifying welfare benefit. There are currently 44,000 customers on our social tariff and in our Ofgem return for the period 2008/09 we spent £1.5m on this spend initiative. This tariff replaced our previous discounted tariff, Carefree Plus, with all customers automatically transferred onto 'Fresh Start'.

Currently, our Social Tariff customers can achieve savings of between £66 and £272 annually, based on average consumption and dependent on payment method.

Vulnerable Customer Rebates:

It was our intention to ensure that a holistic package of assistance was delivered to our customers through our social spend programme and, as such, all customers on our Fresh Start Social Tariff have been given free access to Benefit Entitlement Checks and Energy Efficiency Advice. Further, all Fresh Start customers on our Priority Services Register were given a winter rebate of £85 in December 2008. All Fuel Direct customers received debt assistance whilst ensuring that they retained the eligibility to the Fuel Direct scheme to ensure consistency of payment method. ScottishPower's total spend in the 2008/09 reporting period was £4.4m.

ScottishPower believes that identification of vulnerable customers eligible for Social Tariff and Rebate assistance remains problematic for energy suppliers, and took the view that the use of our Priority Services Register (PSR) and Fuel Direct customer base was the best available indicator of vulnerability we have, in the absence of Data Sharing. Many customers on the PSR are customers we have retained prior to privatisation and as such are heavily focused in our historic ScottishPower and Manweb areas.

ScottishPower Energy People Trust Fund:

ScottishPower continued to provide significant funding contribution to the Energy People Trust in the last year, which provides funding to voluntary and not for profit organisations to deliver projects with the aim of ending fuel poverty. In the 08/09 period ScottishPower made a total contribution of £2.3m to the Trust and a further £650k donation was made in October 2009.

To date, over £6m has been awarded by the Trust to 125 projects across Great Britain, assisting over 400,000 individuals in 250,000 households. Seven projects have been sponsored across Wales, which amounts to a combined total of approximately £218,000. ScottishPower Energy People Trust funding has supported projects which cover a range of interactions including crisis funding, energy efficiency measures and income maximisation.

The ScottishPower Energy People Trust was recognised as an example of Best Practice by Ofgem in their recent report on Suppliers Social Spend Programmes.

We continue to promote the ScottishPower Energy People Trust at a range of events across the UK, which attract attendance from a range of delegates nationwide, one of which was our sponsorship of the NEA North Wales Fuel Poverty forum.

Partnerships:

ScottishPower believes that it must continue to support a broad range of social programmes as we recognise the contribution community based organisations can make in helping us to better support those living in and/or susceptible to fuel poverty. In 2008/09 we spent over £1.9m in supporting a number of Income Maximisation Officers and provision of Hardship funding across a range of charities, Local Authorities and Warm Zones. One particular charity that received assistance was Age Concern Cymru North, which received £102,000 of funding for a sustained Income Maximisation Officer programme which will run until 2010.

Sponsorship:

ScottishPower recognises the value that ongoing sponsorship support can provide to the many Fuel Poverty charities in the UK. In the 2008/09 period, ScottishPower has so far spent £33,000 on fuel poverty-related sponsorship, which included sponsoring National Energy Action's Wales Fuel Poverty Forum, NEA's House of Lords Event, the NEA and Energy Action Scotland Affordable Warmth Research Report and NEA's Spotlight on Fuel Poverty.

ScottishPower is currently sponsoring NEA's Warmer Homes Campaign, which is a IUK-wide initiative that aims to highlight the issue of Fuel Poverty among decision makers, identify examples of best practice in tackling Fuel Poverty, and act as a signposting service for those in or at risk of Fuel Poverty.

Carbon Emissions Reduction Target (CERT):

CERT is a three-year (2008-11) statutory carbon abatement programme delivered by the six major energy suppliers in the UK. In September 2008, the Prime Minister announced a proposed 20% increase in the CERT, alongside a number of smaller amendments to the CERT Order, which were meant to encourage behavioural change amongst individuals in households across the UK. Following a consultation period in 2009, the Amended CERT Order was passed by the UK Parliament and came into effect in July 2009. ScottishPower's revised target is 19.2m lifetime tonnes of carbon dioxide.

At the request of the UK Government ScottishPower reprioritised Priority Group work by bringing forward spend from 2009 into the Sept – Dec 2008 winter period to ensure assistance reached as many vulnerable customers as possible in this time period ahead of the cold winter period. As a result of this increased activity, the company accounted for over 20% of all CERT insulation work in 2008, which is significantly higher than our 10% market share.

From the commencement of the CERT programme, ScottishPower has insulated more than 12,000 cavity walls and 10,000 lofts in Wales, saving 431,000 lifetime tonnes of carbon dioxide. In addition, 44% of our total Fuel Switching carbon savings have been derived from within Wales with an 80% weighting on those customers in the Priority Group.

By end October 2009, ScottishPower has now delivered more than 70% of our revised CERT obligations.

Community Energy Savings Programme (CESP):

CESP is a new obligation on both suppliers and generators to achieve an overall carbon emissions reduction target. There are two key aims of CESP: to improve the energy efficiency of the existing housing stock; and to reduce energy demand in the domestic sector.

The CESP Order came into effect on 1st October 2009 and ScottishPower is currently considering CESP opportunities, engaging with a vast number of Local Authority and potential Community Partners across the UK.

In particular, we have welcomed the appointment of Tim Sydenham by the Welsh Assembly Government who has been appointed to work with suppliers to identify opportunities for CESP programmes within Wales. ScottishPower is continuing to discuss such opportunities with Mr Sydenham and we are hopeful that we will be able to support Welsh CESP projects moving forward.

Additional Activity to Address Fuel Poverty

Community Liaison Officers (CLOs):

As previously advised, ScottishPower has a total of thirteen CLOs operating across the UK, two of which are supporting customers across all of Wales. In 2009, ScottishPower CLOs visited around 850 customers in Wales covering issues from billing disputes, financial vulnerability, metering issues and energy efficiency measures.

We are proud of the very close links we have established with a number of advice areas in North Wales and are currently looking to emulate these successful relationships in South Wales.

Home Heat Helpline:

In common with the other five major suppliers in the UK, ScottishPower remains committed to the national Home Heat Helpline, providing the ongoing funding support of £150,000 in 2008/09. This is an independent, free, telephone service that offers advice and support to people struggling to pay their energy bills.

Data Sharing (Energy Costs Support Scheme):

In the past year, engagement has stepped up considerably with DWP, DECC and the other major energy suppliers regarding data sharing to enable more accurate targeting of assistance to those customers genuinely living in or susceptible to fuel poverty. There has also been agreement that all companies will support an 'Energy Costs Support Scheme' in year three of the Voluntary Agreement.

This scheme will target a proportion of those customers in receipt of the guaranteed element of the pensions credit, identified through a data sharing exercise with DWP and Suppliers, with the aim that a rebate of c£80 - £100 is applied to the customers account. It is the intention that the rebate will be applied to the customers account from May 2010 onwards.

Home Energy Efficiency Database (HEED):

The six major energy suppliers have committed to a voluntary agreement with the UK Government to load all EEC2 data into the HEED database. In addition we have given the ongoing commitment to load all CERT data on an annual basis. This information can be used by Local Authorities and devolved Administrations to clearly identify the level of CERT activity in specific geographical areas with the view that it will lead to greater targeting of energy efficiency spend. It is expected that EEC2 data and CERT year one data will be loaded to HEED imminently.

Social Responsibility Support Team:

On 1st April 2009, the ScottishPower Social Responsibility Support Team was launched. This team provides a dedicated point of contact for vulnerable customers and third party agencies that support those living in fuel poverty. The trained advisers offer help and information in relation to tariffs, energy efficiency advice and grants.

Welsh Fuel Poverty Advisory Group (FPAG):

ScottishPower continues to support the Welsh Fuel Poverty Advisory Group and remains committed, through representation on this Group, to offering practical advice and expertise on supplier energy efficiency and fuel poverty obligations that can assist the group in assessing progress of existing schemes in Wales and proposing new policy recommendations.

ScottishPower is delighted to chair the FPAG sub-group looking specifically at funding for energy efficiency measures in Wales.

Welsh Assembly Government Interaction:

In the past year we have engaged further in significant interaction with various representatives and working groups of the Welsh Assembly Government. In particular, we have welcomed the opportunity to be represented on the quarterly Energy Round Table meetings, chaired by the Minister for Environment and Sustainability. These round table meetings were established by the Minister to discuss energy company activity under CERT, their social programmes and other activities that can be directed to deliver maximum benefits in Wales, particularly to those in fuel poverty. ScottishPower is keen to work with the Welsh Assembly Government to agree how suppliers and the Welsh Assembly Government can maximise the benefits of all our activity on energy efficiency and fuel poverty in Wales.

We remain committed to ensuring the future National Energy Efficiency and Savings Plan incorporates our recommendations to ensure that the design of any new fuel poverty programme looks to integrate CERT funding with Welsh Assembly Government funding. We believe our interaction with the Scottish Government on the new Energy Assistance Package and Home Insulation Scheme could be used as a demonstration of how best to achieve the objective of integrated funding.

I hope this response is helpful and I trust Gillian Noble will be able to address any questions you or your fellow Committee members may have.

Best wishes

Andrew Watson

Andrew Watson
Government Affairs Manager