



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor Cynaliadwyedd
The Sustainability Committee**

**Dydd Iau, 26 Tachwedd 2009
Thursday, 26 November 2009**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Mick Bates	Democratiaid Rhyddfrydol Cymru (Cadeirydd y Pwyllgor) Welsh Liberal Democrats (Committee Chair)
Angela Burns	Ceidwadwyr Cymreig Welsh Conservatives
Lesley Griffiths	Llafur Labour
Brynle Williams	Ceidwadwyr Cymreig Welsh Conservatives
Leanne Wood	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Claire Bennett	Pennaeth Is-adran Newid yn yr Hinsawdd a Dŵr, Llywodraeth Cynulliad Cymru Head of Climate Change and Water Division, Welsh Assembly Government
Siân Callaghan	Centrica
Jane Davidson	Aelod Cynullid, Llafur (Y Gweinidog dros yr Amgylchedd, Cynaliadwyedd a Thai) Assembly Member, Labour (Minister for Environment, Sustainability and Housing)
Tony Diccico	Npower
Gwyn Lewis	Pennaeth Effeithlonrwydd Ynni a Thlodi Tanwydd, Llywodraeth Cynulliad Cymru Head of Energy Efficiency and Fuel Poverty, Welsh Assembly Government
Valentine Mulholland	EDF Energy
Helen Northmore	Yr Ymddiriedolaeth Arbed Ynni Energy Saving Trust
David Topping	E.ON
Richard Westoby	Swalec, Scottish and Southern
Frances Williamson	Cymdeithas Manwerthu Ynni Energy Retail Association

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Ryan Bishop	Dirprwy Glerc Deputy Clerk
Gemma Bright	Dirprwy Glerc Deputy Clerk
Dr Virginia Hawkins	Clerc Clerk

*Dechreuodd y cyfarfod am 9.06 a.m.
The meeting began at 9.06 a.m.*

Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions

[1] **Mick Bates:** Bore da. I welcome you all to this meeting of the Sustainability Committee. I will make the usual introduction and a few housekeeping announcements. In the event of a fire alarm, you should leave the room by the marked fire exits and follow the instructions of ushers and staff. There is no fire alarm test forecast for today, so if the alarm sounds, it is real. Please ensure that all mobile phones, pagers and BlackBerrys are switched off, as they interfere with the broadcasting equipment. The National Assembly for Wales operates through the media of both Welsh and English. Headphones are provided, through which simultaneous translation may be received, on channel 1. For any of you who are hard of hearing, they may also be used to amplify the sound, on channel 0. Please do not touch any of the buttons on the microphones, as this can disable the system, and please ensure that the red light is showing before speaking. I have received apologies today from Karen Sinclair, Lorraine Barrett, Alun Davies and Rhodri Glyn Thomas.

9.07 a.m.

Sesiwn Dystiolaeth ar Dlodi Tanwydd Evidence Session on Fuel Poverty

[2] **Mick Bates:** Today, we are taking evidence on fuel poverty and we start our session this morning with the Minister for the Environment, Sustainability and Housing. We will then take evidence from the Energy Saving Trust, and then, finally, from the energy companies and the Energy Retail Association. I welcome the Minister, Jane Davidson, Claire Bennett, who is head of climate change, and Gwyn Lewis, head of energy efficiency and fuel poverty. Thank you for your attendance this morning. Minister, would you like to make a brief opening statement? Then, as you are aware, there will be questions from Members.

[3] **The Minister for Environment, Sustainability and Housing (Jane Davidson):** Thank you, Chair, and thank you for the invitation to present evidence to the committee on fuel poverty. I am delighted that you are undertaking this investigation during our consultation on the new fuel poverty strategy. I am sure that the committee will also recognise that the recession and recent trends in energy prices have contributed in putting us off track in the achievement of our fuel poverty targets. As we have said, the Assembly Government has limited influence over two of the major factors influencing fuel poverty, namely income and energy tariffs, but on the third element—energy efficiency—we are determined to do all that we can in terms of alleviating fuel poverty.

[4] We launched our new consultation earlier this month and, where we have powers to take action that will contribute directly to alleviating fuel poverty, we want to ensure that our support and funding is focused on those most in need. That has been a call over the last year or so. We intend to promote the co-ordination and joining up of support of the different providers who are helping to tackle fuel poverty, and also find ways to enable other services and programmes to support action that will assist in alleviating fuel poverty. We outlined for example, in our report to committee, a very large range of income maximisation programmes that come from other departments in the Assembly Government. Where others have the power to take action, for example, in relation to energy prices, income levels and the benefits system, we play a very proactive role in influencing those decisions. We must also recognise that the overall position in relation to public spending will become increasingly challenging, but it is absolutely clear that the Assembly Government has been prioritising investment in

this area in the tough financial climate.

9.10 a.m.

[5] You can see that through our wins from the strategic capital investment programme, which include £26 million of capital over three years and an additional £12 million for the development of the Heads of the Valleys low-carbon region. That investment is enabling us to lever in significant additional funding from the energy companies, co-ordinated through Arbed, our new strategic energy performance investment programme. That is a joint housing, regeneration and energy-efficiency initiative, which will invest in the energy performance of buildings to tackle fuel poverty, generate green jobs and drive innovation. Although it started in a more localised region and focused on social housing in its first phase, as we announced at the low-carbon summit, the intention is to undertake it throughout the strategic regeneration areas, so that there will be a match with the socioeconomic status of communities in Wales.

[6] **Mick Bates:** Thank you for that outline and for your paper, Minister. As you say, it is a difficult situation when gas prices have increased by 67 per cent and electricity prices by 37 per cent since 2006. We can see the progress that is being made and I only hope that that progress continues into the next Government, but you cannot answer for that. I invite Brynle Williams to ask the first set of questions.

[7] **Brynle Williams:** Good morning to you all. How successful have your policies to tackle fuel poverty been to date, Minister?

[8] **Jane Davidson:** As we have said previously, the approach to the home energy efficiency scheme has not targeted households in fuel poverty effectively. On the back of the 2004 living in Wales survey, it was found that only 29 per cent of those assisted by HEES were in fuel poverty. Therefore, our new fuel poverty strategy is remedying that, as we felt that it was a completely insufficient match for the most vulnerable customers living in fuel poverty. So, by looking in detail at the data, we have developed a sea change in our approach. As you will see in the paper, HEES has certainly helped a lot of people and we must acknowledge that. I think that it averages at around £1,000 a house. However, the match has not been appropriate. At that point, we had not seen the dramatic price rises in energy that we have seen subsequently. So, given that combination of the rises in energy prices, the recession, and the increase in the number of people living in fuel poverty, it is critical that we ensure that our next contract has a proper match, and that we do that before we come to the end of the current contract, in 2010. Therefore, we will produce regulations on the back of the fuel poverty strategy to enable us to provide that.

[9] **Brynle Williams:** Which aspects have been unsuccessful in the past?

[10] **Jane Davidson:** A main concern, as we have discussed in committee previously, is the substantial number of hard-to-treat homes in Wales, such as stone buildings, and also people living in fuel poverty in rural communities, particularly those who are off the grid. The current range of measures under HEES has not been able to help those people. We are making a crucial change by going for a whole-house approach, thereby improving the energy efficiency of hard-to-treat homes and helping households in rural communities. The most recent data that the committee has considered on the small area status have demonstrated fuel poverty problems in rural areas. If I remember correctly, north-west Wales was one key area.

[11] **Brynle Williams:** I do not know whether we can go into the detail of this, Chair, and I appreciate that there is a large number of hard-to-heat homes in Wales, but what research have you undertaken into products to tackle that? May I dig down that deeply, Chair?

[12] **Mick Bates:** I am sure that the Minister could answer that question on the availability

of products for—

[13] **Brynle Williams:** I am trying to get at the research that you have undertaken into this, because big thick walls and so on take away space. There is now a product that is about two inches thick, apparently—although I cannot recall what it is called. It sounds like quite an innovation to help hard-to-heat homes. Is your team looking into such things?

[14] **Jane Davidson:** Before I bring Gwyn in on this, I just want to say that there is a range of products out there now, particularly relating to energy efficiency and sustainability, and one of the challenges is to navigate our way through them. The whole-house approach means that it is horses for courses, so you look at the house, the circumstances, and what will give you the best energy efficiency outcomes. In our consultation on the national energy efficiency and savings plan, we said that we want to focus particularly on lifting houses that would otherwise be rated F or G for their energy efficiency status to C, but that could involve quite substantial expense. Taking the whole-house approach will mean including renewable technologies as well as insulation measures.

[15] **Mr Lewis:** As the Minister said, it is horses for courses. We are currently funding some field trials in renewable technologies to test their in-situ performance. So, we try to keep abreast of new technologies. In a scheme such as HEES, you have to consider the need to deliver measures on a value-for-money basis. While new technologies may be available, they may not yet be at an appropriate cost for our intervention. However, we will keep up with them and, as they become more affordable, I do not see why they would not be included, if they help with the outcome for a particular house.

[16] **Jane Davidson:** For example, part of the testing under HEES has been for heat-pump installations, so it has moved beyond the traditional approach.

[17] **Ms Bennett:** I have a couple of quick points to make. The zero carbon hub was set up to look at improving the energy performance of new buildings, and it has as a subset of its activities the existing homes alliance. The alliance has been looking at these very issues, namely of the technologies available, the training requirements to enable people to install and maintain them, and some of the trade-offs of installing solid-wall installation, for example, such as a loss of space. It is a group that involves a range of expert bodies, builders, engineers and architects, as well as representatives of groups such as the Energy Saving Trust, Community Housing Cymru, and local authorities. So, that has been really useful in focusing work.

[18] One advantage of taking an area-based approach, as with the Arbed scheme that the Minister mentioned earlier, is that you can start to make economies of scale in the technology. The key purpose of Arbed—in addition to making improvements to energy efficiency, reducing carbon and tackling fuel poverty—is that it will generate markets for new products and technologies, and generate new businesses to set up and deliver them. The programme is quite wide ranging, so there is a job-match element to it: we are looking at where we will make the investments to ensure that we are bringing people in from the local communities to work on the projects, and we make opportunities available to local businesses, either to bid for work or to develop themselves to take advantage of future opportunities. That is a combination of the research-based, practical work of the existing homes alliance and the physical programme of benefits that will hopefully result in more of those technologies coming forward more quickly.

[19] **Brynle Williams:** Thank you, Minister and your team. I am sorry that I digressed a little.

[20] **Mick Bates:** It is an important issue, actually. From my point of view, all the issues

that you just mentioned are about win-win-win situations, as is well known. Reducing carbon will reduce fuel bills and create local economic activity. Why has it taken so long to reach the point of there being an understanding between your department and the Department for the Economy and Transport, to achieve that goal of combining all those businesses to create green jobs?

[21] **Jane Davidson:** I do not think that it has taken that long, because we have been looking at strategic capital investment, and we announced money over a year ago for schemes to support energy efficiency. Since then, we have won a number of major bids through the strategic capital investment programme. However, because the additional funding was required of the energy companies by the UK Government, through the carbon emissions reduction target, it has been about complementing that and working together to deliver the best effect. So, it is about four wins rather than three, and it is also about working in a complementary way, so that our fuel poverty strategy works for people on the lowest incomes in the most energy-inefficient households, namely those who would not otherwise be helped. So, there is a specific set of relationships here.

9.20 a.m.

[22] **Lesley Griffiths:** Minister, could you explain in detail the differences between your proposals in the fuel poverty strategy that is currently out to consultation and the Government's approach previously?

[23] **Jane Davidson:** It has been interesting to look at the success of HEES in promoting basic energy-efficiency measures. It has been very successful, and a large number of people have benefited. As you will know, of the people who have benefited, only a relatively small proportion had concerns about the scheme, and most people were concerned about access to it rather than the service that they receive, which we monitor closely. However, taking that 29 per cent deemed to be living in fuel poverty and receiving HEES assistance, only 40 per cent of them were lifted out of fuel poverty. So, although HEES was able to improve basic energy efficiency, it did not lift even the majority of those living in fuel poverty out of it. That is why we are targeting the new scheme differently, and it is critical that we do so. It will help far fewer people, as you have seen from the figures in the document, but it will lift those properties into appropriate energy-efficiency accreditation, taking them from an F or G rating to a C, for example. In addition, those people will get income maximisation support as well, because those are the two elements that we can deliver specifically in Wales. That is why we are taking this departure.

[24] If we want to help people with income maximisation, with switching to the best social tariff, and with ensuring that their houses are energy efficient so that they are lifted out of fuel poverty, we have to target our grants better. That is why we propose the development of a central hub—although that sounds too grand, in a way, and it is just to co-ordinate advice. Currently, if you ring the HEES line for advice and you are not eligible, you are told, 'No, thank you very much; you are not eligible', and that is the end of the conversation. However, we would like people who ring for advice to be put in touch with the appropriate organisation or given advice directly, so that no householder in Wales, regardless of income, is turned away and told that there is no advice available. So, they would be given appropriate advice for their circumstances.

[25] That is complemented by the area-based programme, Arbed, which is tackling fuel poverty in some of the most deprived communities, and that needs to work with the energy companies. So, it is a big change to the current system.

[26] **Mick Bates:** Please carry on, Lesley, and then I will bring in other Members.

[27] **Lesley Griffiths:** Minister, your paper states that an estimated 400,000 households will be helped by UK and Welsh Government-funded programmes in the forthcoming year. Some groups estimate that, at present, 320,000 Welsh households experience fuel poverty, and that that figure will continue to rise. What flexibility do you have in your proposed programmes to assist that increasing number of households?

[28] **Jane Davidson:** You will see from your paper that the area-based programmes will assist a large number of people. We will be developing a further bid for European structural funds to secure funding to extend Arbed beyond the end of 2010-11. I am also confident that that approach will lead to more capital investment from Government, which is appropriate anyway, given that we get that win in terms of jobs, a reduction in greenhouse gas emissions and an increase in energy efficiency, as well as in lifting people out of fuel poverty. We want to ensure that we strongly encourage—I am sure that you will want to pursue this with the energy companies later—that there should be an absolute minimum of at least one community energy social programme from each of the energy providers in Wales. We would want more than that, linked with the Arbed programme. So, for example, British Gas has already announced that it will be working in the strategic regeneration area of Swansea, which means that we have a link between our policies and the energy company's policy. We want to retain flexibility around the new scheme in responding to the latest data and targeting resources, because we will not get the updated data until the end of next year. So, we must ensure that we are able to respond to the data. Some people suggested, during our initial consultation on the national energy efficiency and savings plan, that we should not even change our fuel poverty scheme until we had the benefit of the data. However, the issue is too urgent, so we are doing it with the best intentions on the basis of the available data, and utilising the opportunity of the end of the current HEES contract to ensure that the new contract fits much better with the issue.

[29] **Mick Bates:** How long will that contract be?

[30] **Ms Bennett:** We will define that in the procurement process. I think that we would be looking at a three to five-year contract, possibly longer, but we would have break and review points within that.

[31] There are two other things that I want to mention. On the new shape of the scheme, we are proposing—the regulations will come before the Assembly, obviously—to take much more of a framework approach. Those of you who have looked at the HEES regulations will have seen that they are quite specific, but if you look at the primary legislation, you will see that it basically states that the Government can make schemes to promote energy efficiency. It is an extremely broad enabling power. We want to make the most of that in the regulations, so that we can have a really broad framework and, within that, have Government determinations—or decisions; I cannot remember what they are called—which is another form of subordinate legislation, to define specific programmes. So, over time, you would be able to produce different schemes or change the scheme quite flexibly. Similarly, we want the contract that we end up with to be much more flexible, with a framework possibly looking at regional base packages. We want something that is flexible and that enables us to target different areas much better.

[32] So, what we are looking at over the course of the next year as the regulations are produced, consulted upon and through the Assembly, and when the contract is tendered for, is a really radical shift taken in the design of the scheme, instead of having a one-size-fits-all programme that we have to live with for quite a long time. We are looking for flexibility.

[33] **Mick Bates:** Thank you. That is an encouraging statement.

[34] **Jane Davidson:** A critical point to add to that is the fact that, when we first had the

major price rises and I went back to the department and asked, ‘How can we ensure that our current programme is more focused on fuel poverty?’, the answer that I was given was, ‘You cannot’. So, that is the reason why we are ensuring that the next set of regulations, which you will all consider—undoubtedly, I will be back before you to talk them through with you—will be flexible enough with the break points so that, as circumstances change and as more data arise that help us to determine the best fit with fuel poverty, we will be able to do that.

[35] **Mick Bates:** Thank you. Leanne is next, then Angela and Brynle, on this point.

[36] **Leanne Wood:** I want to pick up the points that Lesley raised earlier about targeting those who are in fuel poverty. Many people, particularly pensioners, are very reluctant to share personal information. Do you anticipate people being put off by what is, effectively, a means test? Pensioners are a key group. We have seen the excess winter deaths figures this week, and that is obviously a group that needs to be targeted. Is there any other support that pensioners can access if they do not qualify under the means test for support under HEES?

9.30 a.m.

[37] **Jane Davidson:** Leanne, I think that the point is that there is a great deal of support that you can access. At the moment, if you try to access support through HEES, you will not be directed to access any other support. That is our point about having a telephone number that people can ring to get advice. The other important point is that the advice will be available to all householders, so individual circumstances can be taken into account, but nobody will be turned away by telephone line, as it were. That is the idea behind co-ordinating this more centrally. One of the major failings of our current approach is that lack of co-ordination of advice. If someone is not eligible and is not referred on, we lose the opportunity to help that person out of fuel poverty.

[38] **Leanne Wood:** I want to check whether I have this right. If someone is eligible now under the current scheme and he or she becomes ineligible when the new scheme comes in, can you guarantee that that person will still be able to access a similar level of support as under the existing scheme, even though it will not be through HEES?

[39] **Jane Davidson:** I do not think that we could guarantee that, because the issue around HEES—I think this is critical in your deliberations on this—is the lack of a match with fuel poverty. So, if we want it to be a fuel poverty scheme, those people who are not in fuel poverty who are currently accessing money via HEES will be referred to other ways of accessing help. It may depend on where they live, and it will depend on their personal circumstances, as to whether they can access other support. However, there is much more extra money going in—our estimate is that there will be some £350 million across Wales going to a whole range of initiatives, primarily offered through the energy companies—so far more people will be helped into energy efficiency.

[40] However, I do not think that we could guarantee that there would be an absolute match for someone who is currently eligible for the existing scheme. This is where we will need very strong data. As Claire says, we want to be able to ensure that, if there are people who are currently being helped by our existing scheme who are falling out of even these much bigger financial opportunities for energy efficiency under the new arrangements and they are people whom the Assembly Government would want to support, we have the data to enable us to amend the new scheme to take account of that.

[41] **Leanne Wood:** So, will you be doing that?

[42] **Jane Davidson:** Absolutely.

[43] **Leanne Wood:** It sounds a bit like a postcode lottery, potentially.

[44] **Jane Davidson:** Well, in a sense, the lottery now is that of first-come, first-served on a fixed budget, so, we are trying to get a better match in the context of the strategic regeneration areas right across Wales, in rural and urban areas, using the Arbed energy-efficiency approach, and the partnership with the energy companies. The CERT money will be right across Wales; it will not necessarily be in strategic regeneration areas. We also have our own programmes in terms of the Welsh housing quality standard. So it is a best-fit scenario, and although we could not give the guarantee that you mention, we could guarantee that, if a group was identified that it was important for the state to help, it would be subsequently included, and our regulations will be flexible enough to allow that.

[45] **Ms Bennett:** The other thing that we need to take account of is that the UK Government has consulted on a number of changes to the supplier obligations for the future, so there will definitely be significant opportunities and things to take account of with regard to whatever the replacement for CERT is and whatever happens after this current community energy-saving programme finishes, as well as the price support proposals. So, those are other things that we will need to be flexible enough to respond to, and it is hoped that the redesign of those schemes will enable them to be more focused and targeted.

[46] One of the things that we explored in the national energy efficiency and savings plan consultation, on which we are still working, is the concept of working with credit unions to enable them to provide support, particularly to people who perhaps just do not qualify. There are some challenges around the universality of the support available, but that is still something that we are keen to make happen as another part of the package available to people across Wales.

[47] **Leanne Wood:** I am sure that we will come back to this, Chair.

[48] **Mick Bates:** We will. There are some good examples, such as the Monergy scheme, in terms of how you have access. I would like to bring in Angela and then Brynle on this.

[49] **Angela Burns:** I have a very quick question on the advice hub. Do you intend to run it as a Government or will you farm it out, and to whom will you farm it out?

[50] **Ms Bennett:** It will be part of the procurement process for the whole of the new scheme. A specific part of the tender will be the contract for that. Currently, the advice service, or the telephone line that goes with HEES, is part of the contract, so that is one of the bits that will be contracted out.

[51] **Angela Burns:** Just to make sure that I completely understand this, the advice service will go with whomever will do the delivery. Is that right?

[52] **Ms Bennett:** Not necessarily. We want to break it up into a series, because it may be the case that different providers will be better placed to provide different aspects. The other thing that we want to look at, particularly around the delivery of the scheme, is whether we want one contract for the whole of Wales or regional contracts, or overall management and then sub-contractors. So there are a few issues, and we have been exploring those with some procurement experts to see what will get us the best value and the best match to local needs.

[53] **Angela Burns:** Could I just add an observation?

[54] **Ms Bennett:** Yes, of course.

[55] **Angela Burns:** Very often, in procurement, the desire is to go big. A big contract is

easier to manage, and you can probably identify more efficiencies in delivery. However, it does not chime with sustainability in delivery through localism and through the involvement of communities and of many projects around Wales, whereby you might also be able to offer more jobs to people. It is probably quite a tricky one, and I have a great interest in seeing which side you will come down on.

[56] **Ms Bennett:** We are definitely trying to balance those different requirements.

[57] **Jane Davidson:** The point is that it is currently an all-Wales contract, but, as Claire said, we are actively considering regional types of support. We have the spatial planning areas and the work that the Sustainable Development Commission has done on low-carbon regions, which is a real opportunity, potentially, to take into account. However, it is important that the contract, in terms of provision of advice, is a single contract.

[58] **Angela Burns:** I absolutely agree. It is about the delivery mechanisms; that is where you can make the money.

[59] **Mick Bates:** I will bring Brynle in here.

[60] **Brynle Williams:** This committee previously did a piece of work on rural poverty. As you are aware, many of the hard-to-heat homes are in rural areas. It was interesting to hear you mention social tariffs earlier. We do not have the benefit of mains gas in the countryside, and electricity is very expensive. Leanne mentioned senior citizens, but there are also many young families who are in desperate need of some form of aid. Could you look at a social tariff for oil heating, perhaps, in specific areas, or is that again being too specific?

[61] **Jane Davidson:** Under our scheme, as I said in my first response to you, we are trying to enable a whole-house approach, including in rural areas, and to fully reflect the numbers of people in fuel poverty because they do not have access to dual-fuel supply tariffs, for example.

[62] In terms of how people can be supported in tariff terms, that is a question for the energy companies. We strongly support the mandated social price support that will be coming through in the Energy Bill.

[63] **Mick Bates:** We will come to the Energy Bill in a moment. Angela is next, and then Leanne.

[64] **Angela Burns:** I have prepared questions on HEES and CERT, but I think that we have discussed those quite a bit already, so I will ask a particular question on your paper. You talk about the initial eligibility for the new scheme. The criteria are being in receipt of a means-tested benefit, living in a particularly inefficient property, and living in privately owned and rented accommodation. You make the comment that:

[65] ‘social housing will not be eligible for these improvement packages’.

9.40 a.m.

[66] Does that mean that if you are living in social housing, and you receive a means-tested benefit, you will not be eligible, because social housing is not eligible?

[67] **Jane Davidson:** Yes.

[68] **Angela Burns:** You then mention other programmes, such as area-based schemes and the community energy saving programme, but what is the reality of that? One of the

things that have shocked me since I have taken on this job is that the quality of much of the social housing in Wales is desperately poor. Some houses have paper-thin walls, appalling window frames and doors, and maintenance has never been carried out on them. Councils will always tell you that they do not have the money, and so on. Quite a few of my constituents who live in social housing and who are in fuel poverty have come to me to say that they would like to try to improve their use of energy—I am sure that this is Wales wide. How can your new scheme make sure that those people, who are already disadvantaged, are going to be able to access these programmes? I am worried that if they have to go back through the councils, they will not be able to access them. I have heard about this issue many times from my constituents, and I have written to councils to ask for help. They answer, ‘Yes, we are on a maintenance programme’, and ‘Yes, we will get round to it’, but in the meantime, those people remain in fuel poverty. You mentioned the increase in numbers and things not changing, and I wonder whether it is because there is this rump of people that your schemes are not touching, people who are not getting the help that they need from other agencies. I want to see if we can put a check and balance in to make sure that they are helped.

[69] **Jane Davidson:** We are talking about a small amount of money for this particular scheme, compared to all the other capital investment, which is just over £20 million. In relation to targeting fuel poverty, we have to be very specific with this scheme to get the best match. There is a whole range of other capital programmes—the largest capital investment in my department is part of the Welsh housing quality standard. There are minimum energy efficiency outcomes for the Welsh housing quality standard that are being taken forward for achievement by 2012, as well as the fact that Arbed, in its first phase, is focusing on social housing. Therefore, we are using other mechanisms to lift the standards of social housing in much bigger area-based programmes, whereas this scheme will be focused on individuals in fuel poverty who are outside the schemes that are benefiting others. It is about not duplicating funding and making sure that there are specific sources for targeted communities.

[70] **Angela Burns:** Can I make sure that I completely understand this? On top of this there is a drive, and you are able to control the local authorities to ensure that old social housing is retrofitted with good measures, and that no-one can wriggle out of the programme—not that I would accuse anyone of doing so.

[71] **Jane Davidson:** Absolutely. Jocelyn Davies is the Deputy Minister who is leading on that programme, and she is working closely with the local authorities and the registered social landlords to ensure that they deliver on their Welsh housing quality standard obligations.

[72] **Mick Bates:** Could I say a bit about the standard? There is retrofit and refurbishment taking place to reach the Welsh quality housing standard, but what energy efficiency standard do those houses reach after they have received the retrofit?

[73] **Jane Davidson:** Standard assessment procedure rating D. We are proposing, in the context of our national energy efficiency and savings plan, to lift properties to rating C, but the standard, which is part of the contractual arrangements under the Welsh housing quality standard, was introduced prior to any of the changes in fuel poverty or energy prices.

[74] **Leanne Wood:** That cannot be revised, can it?

[75] **Jane Davidson:** It cannot be revised to rating C in the contract for 2012, but through Arbed and others, opportunities are taken wherever they can to lift the rating above D.

[76] **Mr Lewis:** To clarify, the eligibility criteria are specifically for the grant element of the new scheme. The hub, the advice and the referral available through the scheme will still be available to those people.

[77] **Ms Bennett:** It reflects the statistics as well, in that, relatively speaking, there is a low level of fuel poverty among people living in social housing compared with those in private or private rented property. It is about targeting the most affected. Over the last couple of years, the amount from the HEES programme that is invested in social housing has decreased significantly. There was a process by which local authorities would bid for the amount of money that they wanted to have notionally allocated to them. The amounts that have been requested have reduced and are now fairly small. So, it is not as if a source of support that was there will disappear; it is something that has been tailing off over the last couple of years. It is not a new decision.

[78] **Jane Davidson:** To add one more point, as I was saying earlier in relation to the mismatch in the context of fuel poverty, only 40 per cent of the 29 per cent of people are lifted out of fuel poverty, and there is no requirement in the current scheme in relation to the properties' energy efficiency.

[79] **Leanne Wood:** What is your priority? Is it to cut the number of people in fuel poverty or to cut carbon emissions? There is potential for those two things to go against each other. The lowest-income households emit the least amount of carbon. I understand that a low-income household emits about half the carbon of a wealthy, climate-conscious family. Is there a potential problem there?

[80] **Jane Davidson:** No, there is not. We have to reduce carbon emissions from the residential sector in Wales across the piece. The role of the state in reducing that will be different for different properties and lifestyles. The fuel poverty strategy has a social justice purpose. That is the whole point; it is focusing on the most inefficient properties because if you do not tackle the efficiency of the property, people will remain in fuel poverty and on the lowest incomes. It focuses on those people who have the least financial security and who are in the properties that are most inefficient. It is clearly a social justice agenda.

[81] Across our capital programmes, alongside the old approach, which was to improve—and they were called 'housing improvement programmes'—there is a clear carbon emission reduction agenda. We have to do both.

[82] **Angela Burns:** To develop Leanne's point, the Energy Retail Association submitted evidence to us and said that fuel poverty and energy efficiency should be addressed through separate policy instruments because they are separate issues.

[83] **Jane Davidson:** I would suggest that that is probably targeted more at the UK Government. As our only vehicle here relates to energy efficiency, as it were, if we were to divorce fuel poverty from energy efficiency, we would not be able to get outcomes that were appropriately focused. Clearly, we want to achieve income maximisation, but because we are not in control of the income levels of benefits, for example, and because we are not in control of the energy prices—although we spend a lot of time trying to influence both—our main vehicle is energy efficiency. However, it is only half the equation for the individual customer. There will be people who are in energy efficient homes, but who are still in fuel poverty because of issues to do with income. Our best efforts must relate to income maximisation, and if it is impossible for someone who is getting their income maximised to make their home energy efficient, clearly there is a substantial income shortfall that a UK Government must address, which is in addition to the work that the energy companies must do to make sure that the mandated social price support is delivered appropriately.

9.50 a.m.

[84] **Jane Davidson:** I am afraid that it is a trinity in terms of work, but our direct influence is on the energy efficiency side. So, we cannot divorce the two, because it would

divorce us from the mechanism of delivery here.

[85] **Mick Bates:** Are there any further questions from members of the committee? I see that there are not. Therefore, I will end this item by thanking you very much. I will write to you with regard to some issues relating to the Energy Bill that I would like to take up, in particular, engagement over smart metering. Many of the issues that we have discussed this morning depend on quickly changing the tariffs for people. That can be achieved through smart meters and collecting the right data about people. So, I will write to you about that, Minister. On behalf of the committee, I thank you for your written evidence and for answering questions this morning.

[86] **Jane Davidson:** Thank you.

9.51 a.m.

Sesiwn Dystiolaeth ar Dlodi Tanwydd Evidence Session on Fuel Poverty

[87] **Mick Bates:** It is a great pleasure to welcome Helen Northmore from the Energy Saving Trust this morning. Thank you for your written evidence. Would you please briefly introduce yourself and give an opening statement before Members ask questions?

[88] **Ms Northmore:** I promise that my presentation is very brief.

[89] I am Helen Northmore, the head of the Energy Saving Trust in Wales. First, I would like to thank the committee for the opportunity to give evidence today. We have submitted written evidence and I would like to highlight four key points briefly.

[90] First, as was said in the previous discussion, there is a strong link between energy efficiency and fuel poverty. The Living in Wales survey estimated that 58 per cent of fuel-poor households live in homes that would be rated F or G for an energy performance certificate. It also estimated that 176,000 homes were equivalent to an F or G rating in Wales out of a housing stock of 1.3 million. So, there is a clear link between living in an inefficient home and fuel poverty.

[91] Home owners on the lowest incomes tend to live in the most inefficient properties, meaning that those who are least able to improve the energy efficiency of their homes often have the most difficult or expensive needs. Therefore, the Energy Saving Trust welcomes the Welsh Assembly Government's proposals to focus HEES on those households in the most need. To ensure that these households get the support that they need, it will be important to roll out a wider set of technologies, such as solid wall insulation and heat pumps, which have already been shown to be effective in dealing with fuel poverty.

[92] We believe that more needs to be done to integrate the support available. A large number of advice services already provide support relating to various aspects of fuel poverty, covering energy efficiency, energy tariffs and income maximisation. These services are provided by a host of different organisations, including us, local authorities, energy suppliers, local and regional charities and Government bodies. This can be confusing, especially for vulnerable consumers, who may need greater support and a tailored, integrated approach. The end of the current home energy efficiency scheme contract at the end of 2010 offers an opportunity to significantly improve the integration of services in this way. We welcome the proposals for a central advice and referrals hub in the fuel poverty strategy consultation.

[93] Finally, we believe that there needs to be a specific focus on the private rented sector, as has already been discussed this morning. Privately rented homes are typically far less

efficient, with an average SAP rating of 45, compared to 55 for social rented homes, as in the Living in Wales survey in 2004. They also house a disproportionate number of the fuel poor. Local authorities can make much greater use of the housing health-and-safety rating system, which can be used to require action on inefficient properties. Targeted support to remove housing health-and-safety rating standard hazards should be provided for landlords whose properties have an F or G rating. In 2004, that was estimated to be around 28,000 homes in Wales. There are currently no significant financial incentives to encourage landlords or tenants to take action. This is why this has been an area where there has been greater inefficiency. I am now happy to take any questions.

[94] **Mick Bates:** Thank you very much for that opening statement.

[95] **Brynle Williams:** Good morning, Helen. There have been a number of initiatives in operation to tackle fuel poverty, yet the number of people experiencing fuel poverty continues to rise. What do you think have been the Welsh Government's most successful initiatives or actions?

[96] **Ms Northmore:** The most significant Welsh Assembly Government initiative is HEES. With the budget that it has every year, it has the potential to help the highest number of households in terms of Welsh Assembly Government policies and proposals. However, at the moment, as has been discussed, HEES is not necessarily helping those in the most inefficient properties or those in the most fuel poverty, which is why we are very positive about the proposals to change the focus of HEES. In terms of other initiatives to support fuel poverty, the work that the Energy Saving Trust does has a significant role to play, but it is not funded by the Welsh Assembly Government—our advice centre is funded by the UK Government.

[97] **Brynle Williams:** What direct impacts do you think that these have had?

[98] **Ms Northmore:** Do you mean what impact the HEES scheme has had?

[99] **Brynle Williams:** Yes.

[100] **Ms Northmore:** It has had an impact in terms of fuel poverty because it has helped people who cannot afford to heat their homes or to insulate them, to enable them to heat their homes. However, as has been said, it is only helping 28 or 29 per cent of those in fuel poverty, so it is not having as wide an impact as its budget could have.

[101] **Brynle Williams:** Do you believe that the current evaluation is effective?

[102] **Ms Northmore:** Yes. The way in which it has looked at the impact of the HEES scheme and the statistics that have come out, showing the limitations of the current scheme, demonstrates that the evaluation is effective. It is being used to review the scheme and make sure that it will help HEES to have a much bigger impact.

[103] **Brynle Williams:** How do you think that support could be better targeted? What should be prioritised in your opinion?

[104] **Ms Northmore:** We definitely believe that the proposal to target HEES according to not just income, but the efficiency of properties is the way forward. At the moment, as I was saying, people who are living in a house that is operating at 55, which is around a D rating, are receiving help, while people who live in F-rated and G-rated properties currently might not. So, that has to be an added element moving forward. That is why we are very positive about the fuel poverty strategy consultation and the way that the Government is proposing to use HEES. We have to accept that HEES does not have an unlimited budget—it is

oversubscribed every year. There is not enough money to do all the work that we would like to do to the housing stock in Wales. So, it is about where Government funds can be used to the best effect. I think that concentrating on the most inefficient properties—those that are going to need expensive measures, those not on the gas network and those with solid walls, which people on low incomes are not going to be able to afford to do—is the way forward.

[105] **Brynle Williams:** Finally, how well do you think the Welsh Assembly Government's policy initiatives integrate with those of the UK Government?

[106] **Ms Northmore:** That is quite a challenging question.

[107] **Mick Bates:** I am sure that you are up to the challenge.

[108] **Ms Northmore:** The Assembly Government has had a real focus on fuel poverty in particular, and on energy efficiency. At the moment, the Welsh Assembly Government is ahead of UK Government in terms of its thinking. Looking at its policies, such as the renewable energy route-map and the national energy efficiency and savings plan, it has been looking at issues ahead of the UK Government and in more depth. We have a really great working relationship with the Government in Wales, as we do with the UK Government, but we really feel that there is progress and momentum here.

[109] **Mick Bates:** Who monitors all these programmes?

[110] **Ms Northmore:** Which programmes?

[111] **Mick Bates:** I meant HEES and all the programmes that are meant to address fuel poverty and energy efficiency.

[112] **Ms Northmore:** The Assembly Government's main programme is HEES and I would imagine that the monitoring and evaluation is part of the contractual process between the Assembly Government and Eaga.

[113] **Mick Bates:** What do you monitor then?

[114] **Ms Northmore:** We monitor and evaluate the impact of our own programmes—those that are funded by the Assembly Government and by the UK Government, and we report to both. So, for example, our Energy Saving Trust advice centre has contact with around 83,000 households a year in Wales.

10.00 a.m.

[115] We monitor, and so does the Department of Energy and Climate Change. We do customer evaluation feedback callbacks and surveying, as does DECC. We are currently being mystery-shopped by DECC and the National Insulation Association Ltd to monitor the quality of the advice that we give and the impact that we have. How our impact is measured, particularly in terms of carbon, is important. We need to demonstrate value for money and be able to identify the most cost-effective ways of reducing carbon emissions. We have an evaluation team in London that is charged with working with Government and partners to make sure that our evaluation is credible.

[116] **Mick Bates:** Is the monitoring and evaluation that you undertake made available for public information?

[117] **Ms Northmore:** I do not know about that—I can find out and get back to you. We submit the information to the Government, so I imagine that there is an element of access to

information.

[118] **Mick Bates:** Thank you. It would be very useful to have that information in helping us to make our recommendation on this matter.

[119] **Leanne Wood:** Your submission highlights concern that the current HEES scheme should be able to fund higher-cost measures, because hard to heat homes are more expensive to sort out. Are you satisfied that the proposed changes to HEES will address this issue? What evidence do you have that funding more expensive technologies will be successful?

[120] **Ms Northmore:** Having looked at the fuel poverty strategy consultation and the response to the national energy efficiency and savings plan, we believe that the changes will have an impact. There is a similar scheme in Scotland called the energy assistance programme, which replaced its central heating and warm deals programmes. This was proposed to have different stages of support for people with different needs in terms of being vulnerable, in income poverty or fuel poverty. It had several different stages of support: there was initial advice on behavioural change or access to grants on loft and cavity wall insulation through CERT, and an assessment of needs if people were classed as being vulnerable or in significant fuel poverty, which led to a tailored package of measures. That is very similar to the proposals in the fuel poverty strategy. The programme has been in operation in Scotland since 1 April, and there has been not just an increase in the number of people going to stage 4, which is the more expensive tailored packages of support, but also increased take-up of the other stages of advice. The promotion of the programme and the greater awareness—there is more hand-holding and a staged process of support—is engaging more people, subsequently providing more support for them if they are in fuel poverty.

[121] In terms of the more expensive technologies, there is a lot of technical information out there that shows that solid wall insulation is cost-effective. Although it is expensive, in terms of cost per ton of carbon saved, it is not any more expensive, and in some cases it is better value for money than other measures.

[122] **Leanne Wood:** You have also expressed concerns about properties that are off the grid not being catered for under the current scheme. Are you satisfied that the new scheme will consider properties that are off the grid?

[123] **Ms Northmore:** We are very interested in the results of the trial of air source heat pumps that is currently being undertaken in HEES by Eaga, and whether that will be enough to replace the need for oil for those not on the gas network. We await those results with interest, to see if that has that impact. We are also undertaking field trials of renewable technologies across the UK, not in terms of whether they necessarily work or not, but in terms of how much impact they have in replacing oil needs or electricity needs for different household types, so that we have a body of information that says that air source heat pumps can do the job, or that solar thermal hot water will have a significant impact on heating bills, depending on the number of people in the household and so on. We are doing that so that we have a lot more verified information on whether these will be the solution for households that are not on the gas network.

[124] **Leanne Wood:** Can you give me a rough idea of how much a ground source pump would cost?

[125] **Ms Northmore:** Air source heat pumps that are currently being installed under the pilot scheme through Eaga cost in the range of £5,000 per house. The cost of ground source heat pumps varies depending on whether you are digging a deep borehole, whether you have land under which you can spread the pipes, and also whether you can gain economies of scale. The key for all of the renewable technologies in getting cost effectiveness is trying to

do more than one property in a street.

[126] **Leanne Wood:** So, it is a case of doing them in regional areas.

[127] **Ms Northmore:** Yes; area-based approaches.

[128] **Mick Bates:** On that point, Helen, I know that you have a full study of the cost effectiveness of this. It might be useful if you could circulate the recommendations without getting into the detail at this point, because it is useful information for us.

[129] **Ms Northmore:** Is that our 'Power in Numbers' study?

[130] **Mick Bates:** Yes. It is the 'Power in Numbers' report that you launched.

[131] **Ms Northmore:** Briefly, that was a study of community-scale generation and where that might be more cost-effective than the gas network, both now and once feed-in tariffs and renewable heat incentives are in place.

[132] **Leanne Wood:** I will come back to that in a moment, if I may, but do you think that HEES should focus entirely on hard to heat properties with other measures being dealt with by CERT? What do you think of that approach?

[133] **Ms Northmore:** Since it has been in operation, HEES has been trying to sell its credits through CERT to suppliers to try to focus its money on the heating systems, because it is such a limited budget. I believe that there should be no duplication of funding if there is a possibility of receiving CERT funding for insulation measures. That should absolutely be the first port of call.

[134] **Leanne Wood:** To go back to the point that you just raised, what are the benefits of community-based or localised approaches to energy efficiency measures?

[135] **Ms Northmore:** Area-based approaches have a number of distinct benefits, particularly around economies of scale. They encourage the take-up of measures. As it is, CERT is a demand-led process, where the householder has to want insulation measures installed, whereas an area-based approach, which particularly involves marketing and door-knocking, can raise awareness of the offers that are available. It is easier for people to feel that it is something that is easy for them to do if someone is coming around to do the whole street. That encourages them to take part. You then have the significant economies of scale of technologies. Even with cavity and loft insulation, it is easier to do a whole street than to go and do a house in one street, a house in the next street and so on. It is easier all round. We believe that area-based approaches are important, particularly in Wales, which has some areas of very inefficient housing stock. That should not be at the expense of demand from householders. There needs to be a solution that encourages area-based approaches in the areas with the worst housing stock, but also allows people who are at trigger points, at which they are selling or renovating their house, or who have decided that it is time for them to put in insulation, to access schemes, information and support to make that as easy as possible for them. So, it has to be a mix of both solutions.

[136] **Mick Bates:** Brynle, before Lesley comes in, I believe that you have a brief question.

[137] **Brynle Williams:** It is very brief. This is very interesting, Helen. You are trialling ground source heat pumps now, but when can we see the results of that? Hopefully, this will take over from oil. I come from a rural area, where we do not have the benefit of the gas network and so on, and a lot of people are in fuel poverty in those areas. Do you have any other ideas? We know of PV, but is anything else likely to come through?

[138] **Ms Northmore:** We are currently field testing seven different renewable technologies, all at different stages. As we need 12 months of data before we can come to a conclusion, we will release the reports on those different technologies as their 12 months finish. We have released a report on micro-wind, called 'Location, Location, Location', which identifies that micro-wind is a solution, depending on the location, as you can tell from the title. We have installed the solar-thermal and ground source heat pump tests, and we are just about to start on air source heat pumps. You will see a number of reports over the next 18 months or so on the different technologies—we will ensure that the committee receives a copy of each report as it is released.

10.10 a.m.

[139] **Angela Burns:** Hi, Helen; thanks for your paper. There are two things that I would like to talk about. First, the Minister talked about having her advice centre, and she talked strongly about the fact that, currently, if the home heat helpline cannot help you then that is it, that is the end of the conversation. I know that you run an advice centre and that you try to take it that one step further and point it around. In your paper, you make quite a good pitch for being the front end of the Minister's new hub. Why would that be better than the energy suppliers being asked to undertake that role and developing the home heat helpline to the next stage?

[140] **Ms Northmore:** The Energy Saving Trust's advice centre is primarily funded by Government, so we are the existing Government-funded support service for the public on all matters of energy in people's daily lives. We provide the widest range of advice, covering energy efficiency, energy from renewable sources, behavioural change, transport, waste and water. We believe that we provide a comprehensive service in enabling people to reduce their carbon footprint across all areas of their life. We deal with or contact around 83,000 households in Wales a year, and over 1 million across the UK. We have a huge range of expertise and experience not just in giving advice to consumers, but of the importance of messaging to encourage action.

[141] Our vision is that, by 2050, every citizen will be living a low-carbon lifestyle. We feel that we can enable that to happen not just by having a one-off phone conversation, because the ethos of our advice centre is to encourage people to take a journey to a low-carbon lifestyle. For example, if people contact us through a questionnaire, a face-to-face meeting, or by ringing our advice centre, and we give them advice, we will ring them back to ask whether they have had something done, whether it has worked, whether they will change their car in six months, and whether they have thought of filling in their cavity wall. We will continue that conversation with people for some time until they automatically exhibit behaviour that will reduce their emissions.

[142] We believe that we are the experts in this field, which is one of the reasons why we believe that we would be best placed to deliver central advice from a referral hub. Given the scale and importance of what we do, we have relationships with the bodies that we mentioned—local authorities, charities and Government bodies. We therefore believe that we already have a significant referral process. We work with bodies ranging from the Carbon Trust to Consumer Focus, so we have those relationships already in place.

[143] The other factor to bear in mind is that all our consumer research shows that consumers are, on the whole, confused about where to go for advice, because so many places offer it. They do not necessarily trust the Government or their energy suppliers. The bodies that tend to come out best in our consumer research surveys are us and local authorities. Local authorities are not funded or resourced to deliver that kind of advice, however. We therefore believe that we have a level of credibility with the consumer that other bodies would not have.

[144] **Angela Burns:** Thank you for that. The second point of my question is that I would like to touch very briefly on the project currently running in Scotland. Again, you have given us a couple of pages of detail on that. Are you able to provide any evidence that this approach would be more successful than the Minister's proposed approach?

[145] **Ms Northmore:** The approaches are similar, but we can ask our colleagues in Scotland to provide a brief report on the progress of the EAP. As we said in our paper, we can even arrange some evidence from them if that would be useful to the committee.

[146] **Angela Burns:** It would be, because I also asked the Minister about her proposed delivery mechanism. From reading your paper, I understand that the third party companies that will deliver some of these efficiency measures are all based in Scotland.

[147] **Ms Northmore:** I would have to ask them.

[148] **Angela Burns:** Could you do that? I think that they all come through the Energy Saving Scotland Advice Centre network, and I just want to check that because I am keen that we base our helpline and our delivery in Wales. I think that the Scots, perhaps as a result of geography more than anything else—because we have a leakier border, if you like—are very good at keeping jobs within Scotland. I am keen to see whether that has happened in this case, and that is the question that I asked the Minister—whether the delivery mechanism should be centralised, or distributed via a co-ordinated hub to all the arms and legs, if you like, around Wales.

[149] **Ms Northmore:** The ESSACs are part of the Energy Saving Trust. It is just a different branding. We have the Energy Saving Trust Advice Centre here in Wales, and Scotland has Energy Saving Scotland Advice Centres, but it is the same body doing the work. So, it is based in Scotland, and I believe that the delivery of the measures within Scotland is contracted out through procurement processes. I will get a report on progress and a bit more detail for you from our colleagues in Scotland.

[150] **Angela Burns:** That would be great. I will just finish by saying that it says here that Scotland has five centres—in the Highlands and Islands, the south west, the south east, the north east, and the Strathclyde and central area. I would be very keen to know who delivers in those areas.

[151] **Ms Northmore:** We will find that out for you.

[152] **Angela Burns:** Thank you very much.

[153] **Lesley Griffiths:** Helen, in your paper you state that improved data sharing could help to improve targeting of support and monitoring and evaluation of policy. Could you tell us how effective energy companies currently are in sharing data and information with other agencies and the public sector?

[154] **Ms Northmore:** The home energy efficiency database is maintained by the Energy Saving Trust, and brings together a huge number of sources of information, including the energy suppliers' national installation association, CORGI, and a range of different bodies, trying to map where work has been done on the existing housing stock. The point that we mention in the paper particularly relates to energy performance certificates. In Scotland we are the registry holder for energy performance certificates, so our database holds all the EPC data, and we therefore know the status of the housing stock in more detail than we do for England and Wales. The Department of Communities and Local Government gives us information on those properties that are rated F or G, and we then target mailings at those

people to encourage them to take measures. It is a proactive intervention to say that they have just received the EPC and that grants are available so please could they give us a ring. That has proven to be successful, but we are not allowed to keep those data, and we do not have the full data from the EPC—it is really just for mailing purposes. We believe that the home energy efficiency database could really be a tool to map the existing status of the housing stock, but the area that is missing is the EPC data, and that is not something that the Assembly can necessarily do anything about. If you believe that it would be useful, then you could make that recommendation to DCLG.

[155] **Lesley Griffiths:** You talk about integrating EPC with your home energy efficiency database. Have you had any discussions with Government about that?

[156] **Ms Northmore:** Discussions are ongoing. We believe that it would really add value to the database. At the moment we have information on a significant portion of the housing stock—it is increasing daily—but it is in the 40 to 50 per cent range, which means that we still do not have details on 50 per cent of homes. If we had these data, we would have a detailed map of the housing stock in Wales and England and we could identify particular areas that have not had significant help, but which would benefit most from an area-based approach. For example, we could look at where there is the greatest concentration of cavity walls, so that we can target our efforts, and inform Government where it should target its efforts, with more precision than we can at the moment.

[157] **Mick Bates:** I see that there are no further questions. I therefore thank the witness for the written evidence and answers this morning. A copy of the transcript in draft form will be sent to you to look at, and I would welcome your evaluation and monitoring information, if that is available, as well as the information on Scotland.

[158] **Ms Northmore:** We will send a large number of papers to you.

[159] **Mick Bates:** Thank you, Helen. We will take a short break while the representatives of the energy companies come to the table.

*Gohiriwyd y cyfarfod rhwng 10.20 a.m. a 10.22 a.m.
The meeting adjourned between 10.20 a.m. and 10.22 a.m.*

[160] **Mick Bates:** We now have the energy companies before us to give evidence on fuel poverty in Wales. I ask you to introduce yourselves, and, in one sentence, to tell us, for the record, how much money you spend on alleviating fuel poverty in Wales, and how many customers that affects. I ask the witness on my left—I cannot see your nameplate from here—to go first.

[161] **Ms Mulholland:** I am Valentine Mulholland from EDF Energy, and we have spent £3 million in Wales since the start of the carbon emissions reduction target. We have 22,000 customers in Wales, and about 400 of those are on our social tariff, with an average discount of about £100, depending on the customer, and about 66 customers who have benefited from trust fund awards of about £793.

[162] **Mr Topping:** I am David Topping, and I am the director of commercial operations for E.ON. We have about 106,000 customers in Wales, which is about 2 per cent of our customer base, and our level of spend on fuel poverty is about three times the proportion of our customer base.

[163] **Mick Bates:** Sorry, I did not catch the amount there.

[164] **Mr Topping:** I do not have the actual amount in pounds, but I can come back to you

on that. We spend about three times as much as our customer base, in proportion.

[165] **Ms Williamson:** I am Frances Williamson from the Energy Retail Association. We are a trade association, not an energy supplier.

[166] **Mr Diccio:** I am Tony Diccio, and I am head of Government relations at Npower retail. We currently have about 80,000 customers in Wales, and we have spent about £21.7 million on various energy efficiency and fuel poverty schemes, which equates to at least £250 on energy for every customer that we have in Wales.

[167] **Ms Callaghan:** I am Siân Callaghan, and I am from Centrica/British Gas. The figures that I am going to talk about are for 2009, rather than cumulative figures over the community energy saving programme. We have 1 million customers in Wales and, in 2009 we spent £7 million combating fuel poverty in Wales. We have completed 25,000 energy efficiency measures in Welsh homes and we have 22,000 customers in Wales on our social tariff.

[168] **Mr Westoby:** I am Richard Westoby from SWALEC, part of the Scottish and Southern Energy Group. SSE has more than 9 million customers in England, Wales and Scotland. Roughly 1.2 million or 1.3 million of those are SWALEC customers in Wales. Our overall spend as part of the social programme was £16 million last year. We actually spent £17.6 million across England, Wales and Scotland. Of that, £4 million was spent on SWALEC customers in Wales.

[169] **Mick Bates:** Thank you for those introductions and for your papers. Gillian Noble from ScottishPower will not be here this morning, because of technical issues with a flight from Edinburgh, I think. However, we will write to her to ask the same questions.

[170] **Angela Burns:** Chair, I crave your indulgence because I want to ask a different question from that prepared. It was very interesting to hear what you all had to say about the amount of money each of your companies spends on social issues, energy efficiency and helping people living in fuel poverty, but I do not get it because I also know that an awful lot of people who are poor have to pay more for their energy. So, I do not understand the paradox that these people are charged more because they are on pre-payment meters, because they cannot pay by direct debit, or because they do not have access to dual fuel, while your companies rush around spending three times as much, as David was saying, or millions of pounds, as Richard was saying, on alleviating fuel poverty. To me, that is a complete paradox. Surely, if you did not charge all that money—and I think that Brynle added it up and found that it came to £35 million between you—you would not have to spend so much money. So, can someone explain that to me, because I am obviously missing the point?

[171] **Mick Bates:** For the answers to this question, I will start with Richard, and we will then go around the panel. For the next question, I will start with the next person, so that they can have the first crack at answering. If you have nothing to add, that is fine, but that is the system that I will use, as you will probably remember from previous visits.

[172] **Mr Westoby:** That is fine. People are not picked out to pay higher charges because of their income. The charges are set according to the costs that go with different payment methods and products. In some cases, we have made a discretionary allowance and moved away from the costs to address the particular things that you are talking about. In our case, we have permanently waived any additional cost for electricity pre-payment customers, so they now pay the same as standard customers for the very reasons that you spoke about, acknowledging that a larger proportion of those customers are in a difficult financial situation. For this coming winter, we have announced that we will put the tariff for gas pre-payment customers in line with the ordinary tariff, for the very same reason, accepting that there are people in a difficult situation going into this winter. That is a subsidy, in effect, because there

are additional costs related to those tariffs. Generally, the pattern of our tariffs is to capture costs. In certain special situations, we are doing other things because of the factors that you refer to.

[173] **Angela Burns:** I appreciate that there are costs, but Tesco does not charge more for a can of baked beans in the highlands than in Penarth. Companies, particularly global companies—and you are all pretty much global companies—amortise out-costs. It is part of the ebb and flow of customer relations, markets and so on. What concerns me is that, when it comes to energy, it is usually the poorest people who end up paying the most. That is a fundamental social inequality.

10.30 a.m.

[174] **Mr Westoby:** On the regional differences, the difference between what we charge in one region compared with another is entirely down to the use of system charges. Differences between one region and another get passed to us by the distribution and transmission companies.

[175] **Angela Burns:** Can you confirm then that Wales overall pays more for energy?

[176] **Mr Westoby:** As a result of higher distribution charges.

[177] **Angela Burns:** Yes, thank you.

[178] **Ms Callaghan:** I agree with that comment on distribution charges; they are fixed. We cannot flex 85 per cent of the charges in our customers' bills, because the charges made to us are fixed. The costs for transport, distribution and of moving to the low-carbon economy are increasing year on year, and we are adding about 9 per cent year on year to customers' bills. Although we try to be cost reflective in our pricing, we are also trying to make real differences to those customers who are most in need by coming up with long-term solutions to their housing stock, which is a key contributor to fuel poverty. We also help them with their household income by doing things such as benefit checks. So, although we have been in an era of rising energy prices, we have reduced our fuel prices for gas and electricity by 10 per cent this year. We acknowledge that very many people are in difficulty, but the real way in which to tackle the problem has to be to invest in people's housing stock, which we are doing through our programmes, and to help people to address some issues of household income. Our practice and our surveys have shown us that people are usually around £1,500 better off per year if they go through a benefits health check. Programmes such as that are really important to the people of Wales.

[179] **Mr Topping:** I echo the statements that have been made. On average, we do not charge a surcharge to our customers on pre-payment meters because we realise that it is difficult for them, and they are generally the poorest customers. So, we have moved away from that.

[180] **Mr Diccio:** I echo the points that Siân has made on income maximisation. It is important to say that fuel poverty is just another aspect of poverty, and people who are in poverty need help. One way of doing that is to maximise their income, so benefit entitlement checks are important. I was at a meeting of the fuel poverty advisory group yesterday, and it talked about a statistic that shows that there are currently around £10 billion-worth of unclaimed benefits. Generally, that will relate to people who are in poverty. If we can help them to claim the benefits to which they are entitled, that will help on the income side.

[181] On the fuel issues, the cost of energy is high, and we would all like it to be lower. At the fuel poverty advisory group meeting yesterday, there was also a presentation by Ofgem on

its Project Discovery, which has looked at four scenarios of what will happen to energy costs. Its prediction is of a rise of up to 25 to 30 per cent by 2020. We have to manage that, and we have to make sure that people who are living in fuel poverty can meet that increased cost. One way to do that is through social tariffs, but another important way is through energy-efficiency measures. It does not make economic or environmental sense to give people rebates every year to use energy inefficiently. It would be better to solve the problem at source and get it sorted, and then, hopefully, they will not need the subsidy going forward.

[182] **Mick Bates:** Frances, do you want to comment?

[183] **Ms Williamson:** I can comment generally on the work that the ERA has been doing in this area, although we do not get involved in our members' prices. We stress and repeat the messages that it is about fixing the problem at the source and increasing the income of households. We have done some research recently, which we have called 'missing millions', and that showed that more than 250,000 households in Wales are missing out on substantial benefits that they could be claiming. We have given you some information in our paper, but I would be more than happy to circulate the full report to you afterwards. It highlights the fact that low-income households are not claiming the benefits and the pension credit that they could be, and that they are not accessing the CERT opportunities. Of the 10 regions and areas with the highest concentration of eligible households, five of those are in Wales. It shows that there is a lot of work to do. We run a home heat helpline on behalf of our members, and we want to target the resources that we have to publish the number of that helpline. We did the report so that we can get the information to the people who need it the most.

[184] **Angela Burns:** May I just ask you a question on that, Frances? It has come through in the earlier evidence today that people might phone up the home heat helpline to find out whether they are eligible for something and if it is a 'no', that is it. It stops there. However, you have just been talking about leading people through the benefits assessment and making sure that they have everything that they need. The impression that we were given this morning was that people ask whether they are eligible for a scheme, but if they are not, they say, 'Okay', put the phone down, and that is it. Is that correct?

[185] **Ms Williamson:** That should not happen. I would want to know if that happened to someone.

[186] **Mick Bates:** That has been the case specifically with HEES.

[187] **Ms Williamson:** I see.

[188] **Angela Burns:** Do you not push people back into the system for more assistance from the helpline?

[189] **Ms Williamson:** The helpline is to look at the customer and their problems. If the energy supplier can help with energy-efficiency measures or by doing a benefit entitlement check, to see whether the customer needs to go onto the priority services register for other reasons, or if its trust fund or social tariff is an option, it will look at that. The helpline is also to refer individuals to other advice agencies that could support them, such as Citizens Advice. Typically, if someone is living in fuel poverty, they will also have many other problems and debts in their life.

[190] **Mr Diccio:** Could I just say—

[191] **Mick Bates:** I will give the other companies a chance to answer first and then I will come back to you, Tony. By the way, we do have the report on the missing millions, listed by authority, and we are well aware of that, but I must point out that they are estimated figures. I

now call on David from E.ON.

[192] **Mr Topping:** I echo much of what has already been said. For the record, it is worth noting that E.ON does not charge a differential between pre-payment meters versus the standard tariff, and has even reduced prices across our customer base. We announced a 9 per cent electricity reduction in March and a gas reduction in July. I agree that the issue is best solved at the root of the cause and by focusing on poverty in the most severe of cases, trying to engage the funding with those issues.

[193] As a back-up, I have statistics with me on the promotion of benefit entitlement checks, to illustrate how effective they can be. E.ON conducted 1,890 checks in 2008-09, of which 1,226 resulted in additional benefits being available to the individual who went through that check. I think that that backs up what has already been said.

[194] **Mick Bates:** Thank you. I now call on Valentine from EDF Energy.

[195] **Ms Mulholland:** EDF Energy was the first supplier to stop charging extra for pre-payment electricity. This year, we have also stopped charging extra for pre-payment on gas. So, we no longer charge more for pre-payment. At the end of last year, we changed our tariff structures so that a customer who has no access to the gas grid is given the dual fuel discount even if they are an electricity-only customer. So, we are trying to get rid of these inequalities.

[196] As for direct debit discounts, we have a new licence condition from Ofgem, which states that our payment differential between standard credit and direct debit should reflect the true costs. So, if we are giving people additional discount for paying via direct debit, that is because they are costing us less. It is important that people are charged what they cost us as a business, because we do not know who is subsidising who. That is very clear. We currently have the cheapest dual fuel price in Wales regardless of payment methods. However, there is an issue in that we do not have a very deep penetration in Wales at present.

[197] I echo what my colleagues have said. Where we identify that someone is vulnerable, we also have additional support. We were also the first supplier to launch a discounted tariff for customers whom we believe to be fuel poor.

[198] **Angela Burns:** Thank you. Shall I press on, because I have quite a few questions?

[199] **Mick Bates:** Yes, indeed. I did ask the companies to make one comment, but in view of the fact that he wanted to come back, I call Tony first.

[200] **Mr Diccico:** I just wanted to come back on the point about customers ringing the home heat helpline. It is not just a matter of customers coming to us; we go to customers, too. Npower—and other companies, I am sure—seek out customers whom it can help. We do that through the Warm Wales scheme, which carries out energy efficiency surveys and benefit entitlement checks, and through Health Through Warmth, which is a scheme run by Npower. This is a great scheme, because it is open to anyone, not just Npower customers. So, we go out and try to help anyone who needs help with fuel bills whose health is suffering.

10.40 a.m.

[201] **Mick Bates:** Feel free to advertise your wares.

[202] **Mr Diccico:** I do not want to do that too much.

[203] **Mick Bates:** No, feel free.

[204] **Angela Burns:** Most of your submissions refer to the need for a holistic approach that addresses all contributing factors or call for a root-and-branch review of fuel poverty policy. What are your criticisms of the Welsh Government's fuel poverty policies? Do you think that the approach taken is holistic? What do you think needs to be done? Siân, I think that it was your organisation that called for a root-and-branch review. So, would you lead on that?

[205] **Ms Callaghan:** Yes. We listened to the earlier evidence, which outlined some of the concerns over the difference between fuel poverty and carbon abatement. The carbon emissions reduction target has been used as rather a blunt tool to try to address fuel poverty when it was not designed for that purpose. When the original fuel poverty targets were set, we were in a very different place in the UK. The economy was in a very different place and energy prices were lower. That is why we think that some brave decisions need to be made. Some of them may be hard decisions, including, for example, the decoupling of the winter fuel allowance so that not every pensioner gets it. At the moment, pensioners who are well off also get that money. Perhaps more money should go to those who are most in need.

[206] With regard to holistic solutions, I am encouraged by the Welsh Assembly Government's work and its new consultation paper. You have talked a lot about the Scottish model today; we are the deliverer of stage 4 of the Scottish model at this moment in time. So, we have that contract, which we won under tender and are delivering stage 4 of that programme in partnership with the Energy Saving Trust in Scotland. I can give you some more information about that separately, about the delivery mechanism and the point about creating skills within Scottish communities that will then add value to those communities, which is something that we are also trying to replicate with our work in the Heads of the Valleys with the Welsh Assembly Government, with the green skills centre. We are trying not only to install energy efficiency measures and microgeneration solution into customers' homes to make them better, but to get those skills into the community so that we can take people off the long-term unemployment register. That is the type of programme that I am talking about.

[207] **Mick Bates:** Thank you very much for that reply.

[208] **Angela Burns:** Does anyone else want to add anything?

[209] **Mick Bates:** We will go around all of the companies. I want to be even-handed with this. Tony?

[210] **Mr Dicicco:** I support the view that there should be a joined-up approach. At the moment, I do not think that there is. There also seems to be a lot of obligations and initiatives. I have been doing this job for about eight months and I do not know them all, so how can customers know what benefits they should be looking to get? There should be a combined approach.

[211] I echo the point about CERT being a bit of a blunt instrument in trying to solve two problems at once. The first is carbon abatement and the other is fuel poverty. I do not think that you can do both. Perhaps the fuel poverty element should be disentangled from CERT and tackled in line with the social programme, with social tariffs and other initiatives. At the moment, it is too complex.

[212] **Mick Bates:** I remind you that the basis of this question is that the Minister has told us that she has met all of the companies and that this co-operation has led to you spending more money in Wales. Is that true, Tony; yes or no?

[213] **Mr Dicicco:** I would have to check those figures and think about that question. I am

not sure.

[214] **Mick Bates:** Could you get back to us on that point? It is important as the Minister has stated that categorically in her paper.

[215] **Ms Callaghan:** For us, it is a 'yes'.

[216] **Mr Diccio:** I am wary about saying anything without checking the figures, because when I was here in March, I said that we had not received any requests for Welsh-language services and then someone identified someone who had made a request. So, I want to check my figures before I respond.

[217] **Mick Bates:** Absolutely, but the figures are critical to us. I want to disaggregate some of these large figures that your companies give to us and ensure that they refer specifically to annual expenditure in Wales, which is still a critical issue for us. However, we will return to the question that Angela asked.

[218] **Mr Topping:** May I make a point about the Welsh Assembly Government's approach with regard to assessment and engagement with local authorities? We are noticing a big difference and we are engaged more deeply with more local authorities in Wales than, perhaps, in other parts of the country.

[219] **Mick Bates:** How did that come about?

[220] **Mr Topping:** That came about because we took a proactive approach with the Welsh Assembly Government and through employing an external party to interface with the energy companies.

[221] **Ms Mulholland:** Our CERT spend is about three times bigger than it should be in relation to the size of our customer base in Wales. That is definitely a reflection of the engagement over the last 18 months with both this committee and the Minister. That has created a much greater focus in EDF Energy, which is a company that is predominantly England-based. Similarly with the community energy saving programme, we are not yet in a position where we have confirmed any of our arrangements, but we wrote to all the Welsh local authorities when we were examining what kind of relationship we might develop, and I am not sure that that would have happened three years ago.

[222] **Mr Westoby:** We found the engagement very helpful and it is helping to inform our thinking on CESP. The question was about policy and I do not think that we should forget that there have been a lot of successes on the energy-efficiency policy side. CERT has been a tremendous success. We are seeing it having results in terms of reducing the consumption of our gas customers, which is causing some issues in the business, but, over a number of years, we have seen a reduction of about 20 per cent in gas consumption. For our average gas customers, that is worth about £120 off their bills. So, those measures are delivering real benefits to customers. I would not want to throw the baby out with the bathwater when there have been some successes. I think that CESP is going in the right direction with the community approach. It will hopefully widen the measures and get the community approach in there. There is some tidying up to do, and that has been recognised in the way that we deal with the fuel poverty issue—it got a bit mixed up with energy efficiency. We need to isolate that and get a proper statutory basis for it. As long as we can keep that with simple, clear rules, I think that that will be going in the right direction. We can make that happen in the right way.

[223] **Mick Bates:** I will just bring you back to the question. What role has the Welsh Assembly Government played in bringing that clarity that you talk about?

[224] **Mr Westoby:** It has helped us to form links with local authorities and provided useful information about what the interest levels are in different communities, particularly on the CESP area.

[225] **Angela Burns:** I guess that Frances, as the representative of the trade body, might be best placed to answer my last question. You mentioned in your submission, and Tony very clearly alluded to it, that you think that the fuel poverty and energy efficiency strategies should be completely separate. You think that they should be separate policies. We posited this question to the Minister earlier. I do not know whether you were able to hear, but she gave a very robust defence of why the two should be linked together. Do you want to make a final comment on that?

[226] **Ms Williamson:** I think that they have different objectives and they have different causes. Someone could be in fuel poverty but living in a very energy efficient house; fuel poverty is a symptom of their income. The causes of fuel poverty are very complicated. The circumstances of the individuals who are living in fuel poverty need to have a dedicated approach. The current policies in place to try to solve fuel poverty, like the winter fuel payment, are not getting to the right people. A single person living in a home on their own, on benefits, is more likely to be in fuel poverty because they are in the home all the time, they only have one income, and they are trying to heat the same amount of space as perhaps a couple living in a similar home. There are inequalities in the policies to help address fuel poverty because, as Siân said, they have been shoehorned into a scheme that is trying to save carbon. Saving carbon does not really help people in fuel poverty. I think that you mentioned earlier that the carbon emissions of the homes of people in fuel poverty could be halved. What we need is for these homes to be heated to a temperature that keeps that individual warm and in a healthy environment.

[227] Therefore, at the moment, there are two conflicting strategies. We would like to see some targeted policies that can help people in fuel poverty, separate to the targeted policies to reduce carbon emissions. That is also a vital thing that we need to do, but we need to focus on that separately. If there is an overlap, that would be a win-win situation, but they need to have dedicated resources.

10.50 a.m.

[228] **Angela Burns:** Thank you; that was very thought-provoking.

[229] **Lesley Griffiths:** My question is to Richard. In your paper, you say that it is SSE's aim not to increase prices until the end of 2010 at the earliest. You go on to say that there is a series of pressures that you have to take into consideration before you set your prices. Could you elaborate on that?

[230] **Mr Westoby:** If we look at the way the wholesale market will go next year, with upward pressures and people looking into default markets and wholesale markets, the expectations may or may not materialise, which we have take into account. I mentioned earlier the reduction in usage, which gives us issues going into the winter because we buy ahead to cover our customers. An unexpected reduction in usage, as well as a fall in prices, means that we will make a trading loss. So, there are those types of commercial pressures on us. We talked about distribution charges earlier. A big review is being undertaken of distribution charges, and we expect to see increases in those. The latest notification shows that there will be quite serious increases, and there will have to be a rebalancing between different types of customers in relation to those charges. We will have to take that into account when considering our prices next year.

[231] We support schemes such as CERT because they are doing the right thing. However, they come with a cost to us, which we ultimately have to recover across the customer base. Those are the types of things that make the environment for unit charges, and there is a potential upward pressure there. The whole way in which we think about this, particularly on the fuel poverty side of it, is based on how we can get gas bills stabilised—or to even come down with energy efficiency measures—in spite of the unit price, which is going up. After all, people are not interested in therms—they want heat in the house. Our objective must be to get the cost of that heat in the house down for the customer, rather than worry unduly about pence per kWh, or pence per therm. The economic factors that we are looking at and the whole environmental background seem to be taking us only in one way in the long term.

[232] **Lesley Griffiths:** I have a specific question to Siân and Richard, but if anyone else wants to add anything, please do so. You refer to the fact that the Government proposes to mandate social tariffs. What is your reaction to those proposals?

[233] **Ms Callaghan:** We are working very closely with the UK Government on the social price mandate. We have also worked very closely with the Department for Work and Pensions on the data-sharing pilot, which we found to be a very useful exercise. We believe that a voluntary route is the best because, if you look at our figures you will see that we have 500,000 accounts on our social tariff, which is more than any other supplier. We have spent double our voluntary amount, amounting to £150 million in the last two years, on energy efficiency measures. That is double the amount that we promised the Government that we would spend, which shows that we are willing to spend on that basis. From what we heard in the Queen's Speech, we are looking at the level of complexity in the schemes that are being proposed. We all know that the most vulnerable are those who are least able to understand complexity and where they should go for help and advice. The number and complexity of schemes is quite significant, and some people will follow a grandfather approach of keeping what they had previously. Some people will get a mandated rebate, and there will be other spends over and above that. What we are seeing and what we very much feel is that making it as simple as possible for those in need has to be the best possible way forward. That is the challenge.

[234] **Ms Mulholland:** May I add something on that? EDF Energy has a different perspective, in that we have been lobbying for a mandatory approach, because we felt that that would create greater clarity for customers. Although we come from a position of welcoming a mandatory approach, we also think that what is proposed at the moment, namely that everything that we do now would continue plus there would be a mandated rebate for a certain category of elderly customers with something else for others, is incredibly complex. I remember outlining to you when I came here last year that one of the issues is the complexity. So, we welcome the mandatory approach. At the moment, the UK Government is going to carry out a big consultation in 2010, but that is an important point for the Assembly to feed into that consultation, namely that we need clarity for customers and the advice agencies that support them.

[235] **Mr Diccio:** Without repeating all that Valentine said, I agree that complexity is an issue for us. We do not want to divert valuable resources into developing and implementing complex schemes, because that money should be redirected towards the fuel poor, not developing complex IT systems. That is why we want to ensure that the approach that the Government is adopting or wants to adopt is not as complex as what is in the Energy Bill.

[236] **Mr Topping:** E.ON is also supportive of this. In a recent Ofgem report on average spend per customer, I think that E.ON came out as the second highest. From our perspective, this needs to be targeted at the most needy areas and individuals and it also needs to be made sustainable, therefore linking it to energy efficiency improvements in the home.

[237] **Lesley Griffiths:** To return to you, Siân, I remembered that Valentine had said that last year, but you are saying more or less the opposite. In fact, you say in your paper that

[238] ‘mandation may have the opposite effect of pushing more people into fuel poverty’,

[239] which is completely different to the other views around the table.

[240] **Ms Callaghan:** It is not completely different to everyone else’s views. Some suppliers believe in mandation, while others do not. I can only say what we have done. We have the biggest social tariff and we are the biggest spender on fuel poverty initiatives after the Government. In 2007, £7 out of every £10 that was spent on fuel poverty was spent by British Gas. We believe that we have shown our voluntary commitment by having the biggest social tariff and by doubling what we told the Government that we would spend.

[241] We believe that we can be innovative in our approach. The key thing about a social tariff for us is not just that people get price reform or that they get some money back. The important thing is that your approach towards a customer allows you to get to know and understand them. One of the challenges that we have talked to the committee about previously is understanding who is in need and ensuring that we provide them with the best advice, and that that becomes whole-house advice, so that when a customer comes to us and goes on to our essentials tariff, we do not then say ‘Here’s your rebate, thank you very much’. We also ensure that we, wherever they let us, install energy efficiency measures in that household. We ensure that they go through a benefits health check and that they go on to our priority services register and are guaranteed never to be disconnected. We also refer them to one of the four national charity partners that we work with to ensure that they can get other benefits and other help. That way, we alleviate the long-term problems with energy efficiency and fuel poverty, rather than saying ‘Here is a bit of money for the time being’.

[242] **Lesley Griffiths:** Richard, you referred to this in your paper. What are your views on the proposal to mandate the social tariff?

[243] **Mr Westoby:** We are generally supportive of a mandated system. In the current systems there are discretionary elements and peculiar measures are being used before measuring the benefit; if you increase your tariff you do more for fuel poverty, and so you end up putting in enormous numbers, but that is totally unsatisfactory for us. We should be measuring against a clear baseline when we are measuring these benefits—something simple, transparent and equitable across suppliers is what we want. One or two things in the current proposal need to be tidied up—there is too much of taking what went before into the new system, and as much of a clear, fresh start as we can have, the better. On current lines, we are going in the right direction, but there is a bit of tidying up to be done.

11.00 a.m.

[244] **Lesley Griffiths:** Do you think that mandation would help Governments reach their targets to eradicate fuel poverty?

[245] **Mr Westoby:** I do.

[246] **Mr Diccio:** May I just make a point about mandation? It can help when Government works with suppliers to target the most needy, because it is sometimes very difficult for us to get to the people who need help most, and that is certainly true of the priority group in the CERT. We need help from the Government. We have the data-share project going on at the moment, and that is helping us to work out how we can reach those people. That work needs to go forward. Where mandation will fall down is in the fact that it is too complex. It diverts resources away from the people who need them most. So, help us to identify those people

who are in most need. Also, a simple, uniform approach for all suppliers would probably be the most appropriate.

[247] **Mick Bates:** I will call Leanne next, but just before I do so, you raised the point, Richard, about increasing the proportion of a customer's bill that is demanded by Government schemes. For example, in the Energy Bill, some £9.5 billion will be raised from the companies to fund demonstration projects for carbon capture and storage. What proportion of a bill currently goes to pay for all these schemes that people operate, and what will it likely go to as a result of the Energy Bill? Richard, since you raised the point, I will give you first shot at it, but I am sure that the Energy Retail Association will have something to say about this, too.

[248] **Mr Westoby:** If I may, I would prefer to submit some numbers to you, because it is probably best to have it broken down into its different elements. It would help us to be clear in what we are talking about. You have things like the CERT and the community energy saving programme going in, which are fairly straightforward, as they are done on a per customer basis. You then have more subtle things such as the renewable obligation, which has an impact on the energy price. I am happy to submit a note on this. This is not really a per company issue; all companies face the same thing. We have had to agree some numbers for those costs and itemise them so that we are clear about what is being talked about.

[249] **Mick Bates:** Frances, do you have anything to say on this?

[250] **Ms Williamson:** I can send some information to you. Ofgem also publishes annually a breakdown of what percentage of a typical bill these costs represent and where they go. It highlights some of the environmental programmes that some of the money goes to. It is not really a very transparent system at the moment.

[251] **Mick Bates:** No, it is not.

[252] **Ms Williamson:** In the long term, considering the amount of investment required by companies around the table to make sure that we can light and heat our homes, it is important that programmes such as the CERT and CESP are funded in the right way. That is the subject of discussions that we are all involved in with the Government in Westminster, to ensure that future programmes are funded in the right way. Suppliers want to be involved and keep communicating with and help to support their customers, but the current situation means that CERT and the like will not continue in 15 years' time and grow and grow, so we may need an overview of what is happening.

[253] **Mick Bates:** I would be grateful for that information, but is it possible now to indicate how much of an average bill goes to pay for those schemes as opposed to paying for energy used?

[254] **Ms Mulholland:** CERT and CESP account for about £45 to £50. That is the estimate.

[255] **Mick Bates:** That is an annual figure per customer, is it?

[256] **Ms Mulholland:** That is what every customer pays annually. The fuel poverty obligation, if you were to quantify it in that way, would be £3.15 per customer account—if you are a dual fuel customer, it is £6.30. You have obligations for renewables as well, so the estimate is around £80 to £100 a year. Frances can confirm that. We all have slightly different rates to the industry-agreed level. I am not sure what the Ofgem one is. The Ofgem version is about £80.

[257] **Mick Bates:** So, £80 per annum of an average bill goes to pay for Government

schemes. That is the general rule. I would like to see the projected figures as well for when the Energy Bill kicks in, and as customers start to pay for CCS and nuclear power, or whatever.

[258] **Mr Westoby:** The same is true of feed-in tariffs.

[259] **Mick Bates:** Yes, feed-in tariffs will have another massive impact. So, can you provide that information on the projections at least?

[260] **Ms Mulholland:** That is an important issue in that what we call ‘environmental levies’ will become an increasing part of the bill, whatever happens to wholesale cost. For example, the proposal for feed-in tariffs is that any customer who has microgeneration will get an amount per therm, just for generating and not for exporting. They will get £37 per kilowatt hour and 4p per kilowatt hour if they export by selling it back to the grid. That is to encourage the introduction of microgeneration and it is laudable.

[261] The UK Government is also introducing an extension of that to small businesses, but we are concerned that the small businesses that it is talking about go up to a big size—up to 5 MWh, which is very big. The concern is that it is difficult to recover the cost that suppliers will incur from business customers, because the process will not be transparent in terms of which customers are in it. So, it looks like there is a danger that domestic customers will pay for that. Those who will mainly benefit from it are small businesses, which is great because it will reduce their overheads and carbon footprint in the long term, which is more important. However, importantly, the relationship between carbon strategies and fuel poverty is complicated and it needs to be looked at carefully. There is an awful lot of this.

[262] EDF Energy’s view on carbon strategies, meeting the carbon objectives for 2050 and achieving high renewable targets for 2020, is that it all needs to be done with a mind to the most efficient technologies and to the most efficient generation. That needs to be a really important part of the mix, rather than subsidising certain types of renewables. Many renewables are excellent and provide excellent value for money, but we need to be very clear about that. Furthermore, on microgeneration, air source heat pumps make a real contribution and some people now have wind turbines on their properties—for around 6 per cent of the UK, it is worth having them—but we need to be clear, when looking at microgeneration, the future of renewables and the carbon mix in the UK, about what impact those will have on bills. It is important for the Assembly Government, as well as for the UK Government, to consider what impact those will have on bills, because some projections on the impact of the renewables obligation and the reform of the EU’s emission trading system and so on, are of hundreds and hundreds of pounds. We need to be clear about that, regardless of what happens with wholesale markets. We have more control over that than we do over the wholesale market.

[263] **Mr Diccio:** Could I just make a correction? It is 37p per kilowatt hour and 4p per kilowatt hour and not £37 per kilowatt hour.

[264] **Ms Mulholland:** Sorry, I meant to say ‘pence’.

[265] **Mr Diccio:** We would all be in trouble if the figure was £37. [*Laughter.*]

[266] **Mick Bates:** This is a fundamental issue about how these Government schemes will ultimately impact on fuel poverty. I would be grateful, looking at the Energy Retail Association, if we could have some clarity on the current and projected costs, with particular reference to the Energy Bill. If any other companies have that comparative data from their own source, provided that it is for public consumption, I would be grateful if you could send that to us, because it is an important policy issue.

[267] **Leanne Wood:** I wanted to ask you for your views on the Government's proposal for the new advice hub. Clearly, you were already doing some of that work. Will the Government's proposal improve on the existing helplines?

[268] **Mick Bates:** Tony, I think that you have the honour of starting to answer this round of questions.

[269] **Mr Diccio:** It is important to try to target the right people. Sometimes, you need to be proactive as well as wait for people to come to you. There are a number of schemes at the moment where we physically go out to try to identify people who are in need. I think that schemes such as Warm Wales and Health Through Warmth need to be supported and to continue.

[270] On helplines, the home heat helpline is a good example of the industry trying to give customers support and to help them to get the best energy deals. However, it needs to be widened.

11.10 a.m.

[271] **Leanne Wood:** Is there a danger of overlap?

[272] **Mr Diccio:** It is a possibility. Is too much information a bad thing? The more information that you get to the customers, the better. I went to an Energy Made Clear launch at the ERA on Monday night—my colleague, as you can see, has the leaflet—and that kind of thing will help people to understand what goes into the bill. We have talked about the add-on costs, the environmental costs, and so on, which are outside our suppliers' control, and we just have to try to deal with those in a way that does not penalise the customer to any great extent. We try to do that, and I think that the more clarity and transparency that we can get, the better, so that people can understand why energy costs are as they are.

[273] **Ms Williamson:** I think that there will be an overlap, but I do not necessarily think that that is a bad thing. We need to look at this from the point of view of the people who need this help. Who are they likely to go to? It is one of the reasons why we developed the home heat helpline—to act as a bridge from a vulnerable customer back to his or her supplier, because it is the supplier that can actually deliver that help. We work closely with Macmillan Cancer Support, the Money Advice Trust, Care and Repair, the EST, the energy efficiency partnership for homes, and other organisations. They are all doing a great job, but these organisations are targeted at slightly different people in different circumstances. There is sometimes a risk that if you rely on a one-size-fits-all approach you miss out people who might not be that keen to phone a helpline that they do not necessarily identify with. Furthermore, we need to be proactive and to help these people to help themselves. As Tony was saying, we need to go out and work with trusted organisations and communities so that people can access help. Companies want to spend this money on the people who need it most.

[274] **Mr Topping:** I agree with what has already been said to a large degree. There may well be an element of overlap. Is that a bad thing? Probably not. We would also be keen to encourage customers to talk to their energy suppliers. We have a clear view of their consumption patterns, and we can talk to them about the right tariffs and payment methods, energy efficiency, and the support that we can provide as their energy supplier. So, while there might be an overlap, it is one of a portfolio of approaches.

[275] **Ms Mulholland:** We agree that having one contact number is key. We are sponsoring some work at the moment through WRVS, which runs such services as meals on wheels, and with all the volunteers who work in people's homes, reaching those who do not come out or

go to community centres, to tell those people about the help that is available from their supplier, the insulation packages, about whether they are claiming all the benefits that they are entitled to, and to refer them to the pension service. These are volunteers: they are not energy professionals, so for us, it is essential that there is a single phone number that we can give them to use for advice, wherever they live in Wales. Hopefully, there will continue to be physical locations as well. One contact number would be valuable. What would be important would be to ensure that the help offered by energy suppliers was plugged in to that; it will be key to ensure that information is provided not just about insulation programmes, but about the tariff support that is available, and benefit entitlement checks, which we are evangelical about.

[276] **Mr Westoby:** I do not think that I can add an awful lot to what has been said. We just have to keep monitoring it and ensure that it does the best that it can.

[277] **Mick Bates:** Who monitors it?

[278] **Mr Westoby:** We all have to check that it is reaching customers. If we hear that the overlaps are causing administrative problems, then we will have to sort that out.

[279] **Mick Bates:** Do you mean individual companies?

[280] **Mr Westoby:** Yes.

[281] **Mick Bates:** Not the Energy Saving Trust or the Government?

[282] **Mr Westoby:** We would be working with them and talking to them about how we administer these things.

[283] **Ms Callaghan:** The only point that I can make in addition is in relation to my having seen how this works in Scotland. It is a similar type of scheme, and there is some overlap but I do not think that it is a problem. Anything that goes out and gets to the hardest-to-reach people must be applauded. Talking as a supplier, not just as a deliverer of stage 4 in Scotland, we would be interested in talking to the Government about the design of any scheme to ensure that Wales can best benefit from such things as maximum CERT and CESP spend, and that that spend is flexed effectively by suppliers against that scheme, because it cannot be ring-fenced, as you know. So, we are keen to ensure that that is there in the mechanics of the scheme. What I have seen in Scotland is some very effective working.

[284] **Leanne Wood:** Is advice given about HEES to customers who ring the helpline? Can you refer people to Eaga in relation to HEES?

[285] **Ms Callaghan:** I would assume so, because it refers to the programme—so Warm Front and so on. If people only need insulation, then they will be referred through CERT, because it is a supplier initiative, but if their call is about a bigger package than that, then they are referred to other programmes. We need to confirm that for you.

[286] **Leanne Wood:** I cannot work out the difference between what the Government is proposing in its advice hub and what you already provide.

[287] **Mick Bates:** Frances, do you have a comment on that?

[288] **Ms Williamson:** I can only comment on the home heat helpline, which is a good service. There is a good opportunity now for Wales to look to see what else is going on and perhaps learn some lessons from what is happening in Scotland. The suppliers are involved in that.

[289] **Ms Mulholland:** It depends how much of a localised programme it becomes. It is currently out to consultation, so there is not an enormous amount of detail on it yet. It depends on whether there will continue to be individual projects. The home heat helpline would not be that close to the Welsh housing quality standard or to some of the regional regeneration initiatives that could benefit people. So, there are still some nuances that the advice service in Wales could consider. As we go through this consultation process, as a trade association, we will need to look at this with the Assembly Government as to whether this means that we need to look at our service for customers in Wales, or whether it means that we, when people come to us through the home heat helpline as a first referral, only go so far and then the advice service goes further. I anticipate that the advice service will be much bigger than that, because it is still looking at the area delivery projects, which the home heat helpline would not be able to have cognisance of. So, we are talking about the national insulation schemes, in terms of HEES and CERT, and supplier activity. The advice service would be bigger than that.

[290] **Mick Bates:** Brynle, would you like to ask about community schemes and localised approaches?

[291] **Brynle Williams:** Yes, Chair. What are the benefits of community-based or localised approaches to advice on energy efficiency measures?

[292] **Mick Bates:** I ask David from E.ON to start on this question.

[293] **Mr Topping:** Sorry, could you repeat the question?

[294] **Brynle Williams:** What are the benefits of community-based or localised approaches to advice on energy efficiency measures?

[295] **Mr Topping:** It is really important for us to engage with communities. Community organisations can really promote the provision of energy efficiency advice in the community. It is particularly critical in trying to reach those communities that are less well off and have harder-to-treat properties. It is also critical in engaging individuals who live in those harder-to-treat properties and to provide them with independent advice, and to be the connection between the communities and the energy suppliers when it comes to things such as CESP, for example.

[296] **Ms Mulholland:** I would look at combining two things. We run the London Warm Zone—I apologise for using a London example—and there is a beauty to such a community approach. It is about community outreach and actually getting out to people, either in their homes or in centres that people would use. So, it is about establishing the contact with local people. We are all very clear that we have finite resources to spend on energy efficiency, so I believe that national programmes to deliver energy efficiency—by national, I mean Wales programmes or regional programmes in parts of Wales—are going to be much more efficient than having energy efficiency schemes delivered locally. We need to be very careful about the efficiencies involved. However, I think that it is critical. We have years of experience of trying to reach people on benefits and older people with regard to CERT and so on, telling them that they can have free installation, but they do not come forward. Our experience is that older people in particular do not like to come forward. So, it is important to work with existing community networks to get that contact and to try to tailor your approach, but also that the delivery programmes are as efficient as possible by being larger and still being regional or national.

11.20 a.m.

[297] **Mr Westoby:** I think that communities are the key to driving some of the energy efficiency initiatives in future. We have a number of projects in Wales, which we have outlined in our submission to you. One of the flagship projects is in St Athan. It is part of the energy demand reduction project, which I think that you might have visited.

[298] **Mick Bates:** I have, yes.

[299] **Mr Westoby:** We have rolled out smart meters and provided an incentive to reduce energy consumption. It is being monitored at the substation, and the community will get £20,000 towards a community project if it manages to reduce demand by 10 per cent. We have done this in other regions, and it has been tremendously successful. We are very hopeful that all three communities around the country where we have done this will reach that target. There has been a tremendous level of engagement and interest. You have to get that; you can put the smart meters in and do many other things through initiatives trying to drive behavioural change, but it is community engagement that will really drive behavioural change. So, we are very enthusiastic about communities being the way forward.

[300] **Ms Callaghan:** I agree with what has been said. It is not just about community advice, but community initiatives and tying together packages effectively so that things such as smart meters are rolled out as quickly as possible with the measures. People need visual display units so that they can understand the energy they are using. Smart meters will not do what they are intended to do without those units. That has to be at the heart of communities. We have had similar projects, one in Cardiff, where we have shown that people can very easily reduce their energy consumption by 25 per cent, and many by up to 40 per cent, just by increasing their awareness of what they are doing, helped by having visual display units in their properties. Again, it is about linking the advice to practicalities, such as putting in insulation.

[301] **Mr Diccio:** I support the community programmes and the point that Valentine made about trying to get people signed up, particularly older people, who are sometimes a bit reserved about taking up some of these schemes. If people in the community, potentially people whom they know, were actively involved it would be much easier to get people to sign up to these schemes. Warm Wales, which I referred to earlier, has been a fantastic success across the whole of Wales. Schemes such as that should continue, and long may that happen.

[302] **Ms Williamson:** To summarise, the answer is 'yes', and I think that there will be many interesting lessons learned from the community energy saving programme.

[303] **Brynle Williams:** I asked this question of previous witnesses. The committee took evidence on rural poverty. Do you think that there is enough advice in rural communities on hard-to-heat homes? I assume that we have been speaking mostly about large urban communities, but it is a serious problem in rural communities. Are we getting the message across to those communities well enough?

[304] **Ms Mulholland:** There has been recognition in the community energy saving programme that some of the projects will need to be in rural areas, because we have the most to learn there. There is no doubt that there are challenges in rural areas. There is the issue of having so many households off the gas network that rely on much more expensive forms of heating. There are also so many more properties with solid walls. It has been difficult to justify because the current CERT programme does not particularly support solid-wall insulation.

[305] The credits that we get for selling solid-wall insulation are not good enough, so no-one is going to choose that. There is a lot more to be done. The community energy saving programme will be really useful because there will be some very specific rural programmes.

There will be 100 schemes across Great Britain, some of which will be in rural areas. There is a lot more to be done. The Commission for Rural Communities has a rural fuel poverty group, in which we are involved, to look at best practice. It is dependent on proactive local authorities at the moment, levering in partnerships with suppliers. However, there is a lot more to be done. The potential of air source heat pumps is enormous. We are not yet seeing a big roll-out of air source heat pumps because, even for someone who can afford to pay for it, it is still quite a significant time before payback, although that is getting much better now. Under the Government programmes, and under the future CERT, I would expect the Government to place far greater emphasis on it.

[306] **Mick Bates:** Do you have anything to add, Richard?

[307] **Mr Westoby:** Only something that is very close to those views. Hopefully, the solid-wall insulation, heat pumps, and schemes with CESP will be deployed more widely in the future. However, I think that there is more to be done.

[308] **Mick Bates:** Do you have anything to add, Siân?

[309] **Ms Callaghan:** I agree about solid-wall insulation. I also think that there is room for working with communities on community hydro or biomass schemes. Such activities will be fundamental as we go forward.

[310] **Mr Diccico:** I am loath to mention Warm Wales again, but it does target some rural areas, which is important. I echo the point that Valentine made about hard-to-treat homes. We need to look seriously at those.

[311] **Mr Topping:** I have nothing else to add.

[312] **Mick Bates:** I will now draw this session to a close. I thank you very much for your answers today and for your written evidence, notwithstanding the other information, particularly about the proportion of bills and environmental schemes.

[313] Visiting St Athan to see a community trying to achieve all the things that we talked about was a valuable experience. If your companies have other schemes that are reasonably accessible to us, as Members—and bearing in mind that we represent the whole of Wales—and if you were keen enough to forward the details of those schemes to the committee clerk, I am certain that, given the interest generated from today, we would willingly visit them. It is valuable to see how smart meters work because, with the Energy Bill, we are now seeing the bits—the regulations, if you like—for what smart meters will mean. Much of the data collection and the changing of tariffs is achieved very quickly and simply by using the right kind of smart meters, and not just a dumb meter.

[314] You will be sent a draft copy of today's transcript for your perusal before a final version is published. There will be no further questions from Members. Thank you.

11.28 a.m.

Papurau i'w Nodi Papers to Note

[315] **Mick Bates:** I encourage Members to take note of these papers, which we requested in previous evidence-gathering sessions. They contain some very interesting information.

**Trafod Adroddiad Drafft yr Is-bwyllgor Datblygu Gwledig ar Ddyfodol y
Diwydiant Llaeth**
**Consideration of the Rural Development Sub-committee's Draft Report on the
Future of the Dairy Industry**

[316] **Mick Bates:** If Members are content, we will move to this item on the agenda without asking Members to move to a private session. I see that Members are content.

[317] [*Inaudible.*]—but she does it all the time. It is second nature to her. Thank you all very much. I now draw the meeting to a close.

Daeth y cyfarfod i ben am 11.29 a.m.
The meeting ended at 11.29 a.m.