

# Minutes of the Cross-Party Group on Fuel Poverty and Energy Efficiency Meeting

Monday 25 January 2021, 11.30am-1.00pm

*Sponsored by Mark Isherwood MS*

## In Attendance

**Chair:** Mark Isherwood MS

Michael Anderson (Ofgem), Paula Burnell (Dwr Cymru), Jessica Cook (NEA), Matt Copeland (NEA), Phil Dawson (E.ON), Ryland Doyle (Office of Mike Hedges MS), Claire Durkin (NEA), Bethan Edwards (Marie Curie), Steffan Evans (Bevan Foundation), Brian Hart (NEA), Sam Hughes (Citizens Advice), Samantha James (Dwr Cymru), Adam Jones (Public Health Wales), Crispin Jones (Arbed am Byth), George Jones (Older People's Commissioner for Wales), Liz Lambert (Cardiff Council), Simon Lannon (Cardiff University), Fflur Lawton (Smart Energy GB), Simone Lowthe-Thomas (Severn Wye Energy Agency), Helen Parfitt (Office of Helen Mary Jones MS), Faye Patton (Care & Repair Cymru), Lee Phillips (Money and Pensions Service), Neville Rookes (Welsh Local Government Association), Bethan Proctor (Community Housing Cymru), Ben Saltmarsh (Secretariat/NEA Cymru), Adam Scorer (NEA), Ben Sears (Welsh Local Government Association), Dora Szalkay (Office of Huw Irranca-Davies MS), Gareth Thomas (NEA Cymru), Tim Thomas (National Residential Landlords Association), Jack Wilkinson-Dix (Energy Saving Trust), Nigel Winnan (Wales & West Utilities)

## 1. Welcome and introduction

Mark Isherwood (MI) welcomed participants to the meeting which will focus on the Welsh Government's draft plans to tackle fuel poverty in Wales between now and 2035. Mr Isherwood noted that the Minister for Environment, Energy and Rural Affairs was due to talk to the group but has subsequently sent apologies.

## 2. Apologies for absence

Apologies were received from Jonathan Cosson (Warm Wales), Ceri Cryer (Age Cymru) and Louise Woodfine (Public Health Wales)

## 3. Minutes of the last meeting and matters arising

The minutes of the last meeting had been previously circulated and were approved as a true record (proposed: Sam Hughes, Citizens Advice; seconded: Steffan Evans, Bevan Foundation). There were no matters arising.

## 4. Draft plans to tackle fuel poverty in Wales

### **Ben Saltmarsh, Head of Wales, NEA Cymru and Group Secretariat**

NEA welcomed the consultation and the opportunity to work in partnership with the Welsh Government to deliver three focused workshops on the draft plans last November.

In 2018 it was estimated that 155,000 households were living in fuel poverty in Wales – around 12% of all households – a number feared to be much higher now. In 2019-20 there was a 45% increase in excess winter deaths in Wales, up to 2000 people, 600 of which were attributable to cold homes and that was before COVID struck.

The Welsh Government is proposing three new non-statutory targets to be achieved by 2035:

- **No households are estimated to be living in severe or persistent fuel poverty;** severe fuel poverty is needing to spend more than 20% of their income in order to adequately heat their home. Persistent fuel poverty is based on the 10% definition and applies to households known to be in fuel poverty in two of the last three years.
- **No more than 5% of households estimated to be living in fuel poverty at any one time**” as per the 10% definition.
- **Number of households “at risk” of falling into fuel poverty more than halved based on 2018 estimate.** 145,000 households were estimated in 2018 and ‘at risk’ is defined as those needing to spend between 8%-10% of their household income to adequately heat their homes.

There are no interim targets or milestones against which progress will be measured in the draft and NEA believes the Welsh Government should specify these, as well as bringing forward the target to eliminate severe fuel poverty to 2028 and to at least match the requirement in England for all fuel-poor homes to reach EPC Band C by 2030, if not EPC Band A for homes in social ownership and those in fuel poverty, as recommended by the Decarbonisation of Homes in Wales Advisory Group. All targets, final and interim, should be set on a statutory basis in order they are, and remain, meaningful.

The Welsh Government has proposed 10 actions for 2021-2023. NEA broadly welcomes these but suggests the need for urgency and a comprehensive plan that stretches beyond 2023. For the Warm Homes Programme NEA would like to see support as part of the core eligibility expanded to those on lower incomes, not necessarily on means-tested benefits. NEA would like the Welsh Government to specify how it intends to enhance the scale of resources required to meet targets, as well as distinctly deliver for households in rural areas.

NEA would like to see Welsh Government publish annual fuel poverty estimates to support the ongoing assessment of the direct impact Welsh Government-led efforts is having on tackling fuel poverty. The timing of the first biennial review is very important at it comes towards the end of the first two-year period, and any changes and learnings that are not put in place for the beginning of the next two years, we are not going to see the fruit of that for some time afterwards.

NEA firmly believes that fuel poverty should not be considered in isolation and work to end it should be aligned to other long-term government objectives such as public health where tackling fuel poverty is vitally important in the immediate context of Covid-19 and reducing the costs to the NHS that cold homes contribute. In terms of decarbonisation, we need a fair and equitable transition, and low-income and vulnerable households need to be priority beneficiaries.

The draft plans include a proposal to measure success of future home energy schemes by a reduction in kWh rather than EPC improvements. NEA has concerns it might present significant risks to households and their wellbeing. Fuel poor households often underheat their homes and ration their usage so an ambition to reduce their kWh could potentially see those households encouraged to do so further. Some very positive outcomes could be deemed to have failed, for instance improving the energy efficiency of someone's home, particularly when they have been underheating previously, doesn't always reduce their consumption. The home will be made a more comfortable place to live, but where the householder is already spending an amount of money underheating, they might well go on to spend the same amount but now adequately heating it, and that's a real success but could potentially be deemed a failure.

The Chair asked Ben to confirm that he was content that the main matters he highlighted had been covered in letters already sent to Welsh Government from the CPG, or were there any matters just raised he would like this group to follow up on in writing. Ben confirmed that the main recommendations were covered.

### **Sam Hughes, Policy Researcher, Citizens Advice**

Sam agreed that the three non-statutory Welsh Government targets, previously highlighted by Ben, should be set on a statutory basis and that was recommended by the CCERA committee. The timespan of the strategy includes multiple Senedd terms, and it is important that through the entire period there is mechanism by which each Welsh Government is held to account for meeting this strategy. As part of that there should be interim targets and milestones set on a five-yearly period potentially aligning with statutory carbon budgets.

It is remiss that there are no EPC targets in the strategy given the close links between EPCs and fuel poverty. Citizens Advice also feels there is missing a local-level obligation, as they have in Scotland, whereby you have to meet each part of the strategy in all local authority areas. Without this, what can happen is that the strategy is technically met but not necessarily equally through all of Wales. A local-level obligation would be beneficial to those in rural areas and hard-to-treat homes as it would ensure that Welsh Government efforts and policies are targeting those areas just as much as they are in any other part of Wales.

Sam said that Citizens Advice had some concerns that the target of 2035 isn't particularly well justified in the strategy; there isn't any modelling demonstrated that shows why 2035 is a challenging target and the right target. They believe that if the rate of change between 2008-2018, which spanned the last fuel poverty strategy, was replicated these targets could probably be met before 2035, so they are looking for a clearer explanation from the Welsh Government as to why 2035 is the right target, particularly for severe and persistent fuel poverty.

For the 'Key Actions', Citizens Advice is similarly concerned that the implementation of the revised Warm Homes Programme and of advice services does not actually come into effect until April 2023. Not revising these programmes leaves a significant amount of gap in the level of support that is needed for people in Wales and it is only leaving 12 years to achieve those targets rather than the 15 years that are modelled in the annex of the strategy.

The biennial fuel poverty estimates should be annual so that every year there is a good sense of what is happening in Wales as a result of the policies. Fuel poverty estimates currently are not due until July 2022, meaning that we are not going to understand the impacts of COVID in Wales until two years after the pandemic.

ECO-Flex is not reflected in the strategy as much as it should be. As it stands there are still six local authorities in Wales that have not had any money come through from ECO-Flex and it is often because bids are not being made. Welsh Government should ensure local authorities are supported to make these bids.

There should be increased installations, funding and level of awareness for the Warm Homes Programme – just 22% of adults in Wales are aware of Nest and 56% not aware of any energy efficiency schemes. Help for harder to treat homes needs to be improved – in 2019/20 potentially fewer than 10 off-gas households received solid wall insulation despite 65,000 households of that type of build being in fuel poverty. CCERA recommended that there should be more measures to support those in severe fuel poverty, and it is absent in the strategy. There is now more support via the Discretionary Assistance Fund for people who are in rural areas who use oil and LPG to heat their homes, but there is a real problem with awareness with just two homes receiving winter boiler repair support in 2018-19.

Citizens Advice believe that the kWh measure as a target does not lend itself to be an accurate representation of its success in improving a property, and recommends that the EPC target should be used, or at least run alongside as a pilot.

The 'at risk of living in fuel poverty' definition is proposed to be extended to under 25s on the basis that fuel poverty estimates show that under 34s have got a disproportionate likelihood of being in fuel poverty. Citizens Advice data shows that among the under 34s seeking fuel debt advice the vast majority (82%) are aged 25-34 so the justification for extending to just under 25s does not seem to be there. Citizens Advice have asked Welsh Government for more data to justify that position and, in the absence of that, to include it for all under 34s.

#### **Dr Steffan Evans, Policy and Research Officer, Bevan Foundation**

One of the things important in the draft strategy is the fact we're still not moving to a residual income measure of fuel poverty, in line with Scotland and England, and Bevan Foundation think it is vital we do not repeat the mistakes of between 2008-2018 where the richest 70% of households saw a 75% reduction in the number of people living in fuel poverty, while the poorest 10% saw a 25% reduction. Unless we get the focus right we risk picking off those easy to reach fruit that isn't really making a massive difference to poverty broadly in Wales. Linked to that, there is more to be done in terms of not just focusing on the energy efficiency of a home; focus should also be on income and the cost of fuel.

The Bevan Foundation conducted a survey with YouGov in early December with a sample size of 1,000 people in Wales. 25% of households had seen their incomes fall since the start of the pandemic and over 40% were now spending more on energy than pre-pandemic. For lone parents this was over 50%.

The proportion of households having to cut back differs significantly depending on peoples' living situation, and there seems to be a correlation here between the people who were worse off pre-pandemic being the people who are more likely to have to cut back post-pandemic.

On average 14% of people in Wales have had to cut back, which equates to 190,000 households. 12% of households are expecting to have to cut back on their energy bills between January and March this year. What that really highlights is that we could make those households as energy efficient as we want, but with the income shock and the increased living costs it wouldn't necessarily do a lot for fuel poverty.

There are some positive things regarding eligibility criteria, but The Bevan Foundation is concerned that they are not necessarily being considered in the round, so the proposals to increase the number of households that are eligible for support from the Warm Homes Programme is welcome, but one of the ideas Bevan Foundation has been working on is around a Welsh benefits system. At the minute £400 million is being

spent on means-tested support for people on low incomes which in context is the same amount we spend in Universal Credit and Job Seekers Allowance combined in Wales, but they are not joined up. The Bevan Foundation think that in the longer term this needs to be part of a broader rethink about how we in Wales are providing support, via the Welsh Government, to the lowest income families.

A concern raised around the under-25 group is that with the limitation to local housing allowance, for a lot of under 25s who are living in shared accommodation the depths of poverty are so deep that even if you did make those houses more energy efficient the impact that would have on fuel poverty is questionable because income is the real problem.

### **Adam Jones, Senior Policy Officer, Public Health Wales**

Public Health Wales' (PWH) views are broadly in line with the responses so far.

PHW agrees with retaining the definition of fuel poverty as first established in the Warm Homes and Energy Conservation Act 2000. It is at an appropriate level and PHW supports the proposed changes set out in Q3 of the consultation and supports the proposals to continue with the health conditions pilot and intending to embed this in the Warm Homes Programmes going forward.

PHW agrees that including young people in the definition is worthwhile and it is also worth considering low income within this definition. They also highlighted the fact that many under-25s live in the private rented sector, so that type of tenure would be worth considering as well within the definition.

Regarding the kWh/EPC question, PHW believes that other organisations would be better placed to respond to this, but they would like to raise that any improvement in home energy efficiency should carefully consider any potential impacts on health outcomes, such as insufficient ventilation having adverse impacts on respiratory health.

Adam highlighted other work being carried out by PHW on energy efficiency and health in Wales: *The importance of household energy efficiency for health*. Proposing a short paper (12-15 pages), highlighting the key evidence, data, academic literature and more; make recommendations for future research and policy options contextualised to Wales using Welsh data, but looking at policy approaches and evidence internationally. The aim is to publish this summer.

### **Questions from the Group**

**Tim Thomas (National Residential Landlords Association):** One of the reasons given to NRLA by local authorities of why uptake of ECO-Flex was low is that there simply isn't the resources to administer and monitor the programme. Could we as a cross-party group recommend to the Welsh Government that monitoring and evaluation is done regionally, or that the government itself takes it on for the whole of Wales.

**Sam Hughes (Citizens Advice):** My understanding is that it is a resource problem and that you need full time staff who are dedicated to this policy who scope out potential projects and do all of the documentation for the bidding, etc. Not sure if Welsh Government taking a central role is the answer, and there is a strong argument that local authorities should take control of this. The answer could be for Welsh Government to fund officers for local authorities and set targets that each local authority needs to make X amount of use of ECO-Flex.

**Ben Sears [Welsh Local Government Association]:** Agree with Sam. From discussions with LAs in the summer, it was suggested that if they had a full-time member of staff to work on ECO Flex they could deliver much more. It is simply a matter of not having the capacity to deal with it and an allocated officer would help immensely.

**Jack Wilkinson-Dix (EST):** In Scotland the Scottish Government funds a dedicated ECO support manager who assists LAs with applications allowing Scottish LAs to leverage more ECO funding. Something similar in Wales could be effective.

**Phil Dawson (E.ON):** There is often a misunderstanding of what ECO-Flex eligibility is; it is conveying the eligibility to the household to be able to access ECO. Once a household passes the local authority's criteria it gives them access to ECO funding. The idea is to catch those people who don't fit neatly into pigeon holes for Help to Heat through ECO, and in order to do it a local authority has to publish a statement of intent; its rules to say that when you meet this criteria you are then eligible to access ECO. One way in which it differs from England is that quite often in Wales local authorities have to charge £150 to issue a declaration which is a piece of paper that they can pass on to the obligated energy company in order to draw down the funding.

**Liz Lambert (Cardiff Council):** It is a resource issue and it does require full time staff, for instance, local authorities would carry out procurement to ensure they have good quality installers.

**Claire Durkin (NEA):** Everything heard today reinforced three things: The link between warm homes and health hasn't been brought up properly and the ambitions and target don't really reflect that; the level of ambition for our warm homes is rather behind in comparison with Net Zero targets; and totally missing from the consultation was the Welsh use of innovation and the science and research and the brilliance of some of the innovations going on in Wales including in buildings and energy. It might be easier to work cross-departments and there ought to be other ministers involved because it is about help and climate and older people and poverty and energy. The pace and the ambition is something we don't emphasise enough. Might be a consideration for the cross-party group to try and instil the ambition and complexity of it and the whole departmental approach.

**Bethan Edwards (Marie Curie):** There are NICE guidelines relating to cold home and illness and there are a number of recommendations from a more clinical perspective aimed at alleviating the problem. While doing research we found there wasn't much adherence to these guidelines in England, so we know that of the first recommendation only 40% of the health and wellbeing boards adhere to this. From a Welsh perspective there really isn't much online from what I can find. Does PHW or anyone in the group have any insight into what Welsh Government are doing in terms of encouraging these guidelines and whether health boards in Wales are implementing these at all.

**Adam Jones (Public Health Wales):** The NICE guidelines are adopted in Wales officially but can't comment on how they're implemented. Adam agreed to look into it further and let Bethan know.

**Mark Isherwood MS:** We've been calling for NICE guidelines to be implemented in Wales for many years so no doubt we will continue to do so and hope that that will shortly become the case. Also picked up in the presentations was a worryingly high incidence of increased energy costs for people in social housing; that raises questions not only about their own incomes but also the Welsh Housing Quality Standards which are supposed to be met within the sector so we may wish to ask for the view of Community Housing Cymru about that and what support they could be providing not only in terms of physical adaptations but broader access to benefits.

**Mike Anderson (Ofgem)** asked the group what changes they would like to see in how Welsh Government engages with partners, like Ofgem or be that third sector, governments, suppliers, regulators, or just more generally. Did anyone have views on how Wales' voice can be better presented at the UK policy level on this agenda.

**Ben Saltmarsh (NEA Cymru):** From an NEA perspective, it is very important Welsh Government works closely with Ofgem on policies and programmes that impact Welsh households. The proposed annual Welsh domestic energy data is also a big opportunity; the more we can disaggregate for Wales the more we know, including how it compares across other nations. That would be very welcome indeed.

## 5. Dŵr Cymru Welsh Water

- *Samantha James, MD Household Customer Services*
- *Paula Burnell, Vulnerable Customer Manager*

92,000 customers are supported on the flagship **HelpU** tariff – for households on an income of less than £15,000 per annum. **WaterSure Wales** puts a cap on charges over the year and supports large families or people who have a condition that requires the use of significant extra amounts of water. **Welsh Water Direct** is a £25 deduction of charges each year for anyone who pays for their water through benefits. Welsh Water also runs a debt-matching scheme for customers with significant arrears with a specific credit score; if they are able to maintain their payment of current year charges for 12 months then their arrears will be written off.

A specialist support team deals with most difficult customer cases and works with partner organisation to make people aware of support available. They also provide support with energy advice and energy referral schemes. We recognise that for some customers a social tariff is not the right outcome and their water use is so low that they benefit from metering, and this is where our two sectors can become more joined up, thinking about how we can influence water usage and energy usage through metering. Wales has the lowest take-up of water meters across the UK. Welsh Water provides customers with a two-year revoke option if they find their charges are significantly increasing.

Welsh Water (WW) has a priority services scheme to support those who struggle to access our services, most notably providing water in the event of an incident and how they can change our communication with them. They also support safeguarding with things like password schemes and nominees for accounts.

Social tariffs are enabled by legislation and Welsh Government and Defra guidance and they are funded by cross-subsidy from non-social tariff customers. Companies are able but not compelled to contribute to the cost of social tariffs. The level of cross-subsidy has to be supported by customers in generality and Welsh Water has a cross-subsidy of £21 per bill, whereas some companies in England have a cross-subsidy as low as 50p.

WW is contributing £55 million from profits towards social tariffs between 2020-2025. Because of the ownership model WW are able to divert money from what would ordinarily go to shareholders. WW have made a commitment to increase the support from 100,000 to 148,000 customers by 2025. When they have carried out research into the potential scale of water poverty in Wales, it suggests that it could be as many as 400,000 households. Where that to be the case, the annual cost of supporting that number of households would be in excess of £100 million. That is significantly greater than what we are able to put in and our customers' willingness to support.

Furlough has provided some protection through the COVID crisis, but is probably masking unemployment figures right now. It still means reduced income for a number of households, but their income still exceeds most support schemes. For self-employed customers, the reduction in income is still greater than the grants they have received and those that are newly self-employed are struggling to get any support at all. For the newly unemployed they are unfamiliar with the benefits process and support available and their cost of living is exceeding Jobseekers Allowance, so more frequently they are dipping into savings, if they have any, and in some cases have used these up. As a result of working from home usage has gone up and that is putting stress on households, and for our business customers the uncertainty of lockdown and repeated lockdowns, means that they have got real concerns about their income.

The first thing that Welsh Water has done is to look at the social tariff schemes, which were only signed off by Ofwat in December 2019. WW have made adjustments to our scheme and reduced the discount slightly; previously the bill was just over £200 and we've increased it to £250 and that allows us to support more people, and are bringing forward some of the funding from the latter part of our regulatory review period, from 2024-2025 in to these early years so that WW can create some additional capacity, so think they will be able to support up to 150,000 households over the next couple of years.

They also introduced at the start of lockdown a new dedicated online/telephone help service, as it's important to maintain the conversation with our customers and see what support is most appropriate. WW have people on payment holidays and reduced payment plans. WW suspended billing to 45,000 business forced to close last year, and stopped late stage recovery.

Working with Defra and Welsh Government, WW created a temporary Priority Services Register which added 350,000 customers that are shielding, and agreed a new data sharing agreement with Newport Council in advance of Storm Bella so in the case of water outages, identifying people in the affected areas who were shielding.

WW saw a massive uptake in the forbearance schemes in April-June time but since then requests for support have started to slow down. They have had relatively low take-up of our social tariffs due to COVID. Most people contacting us are the 'just about managing' core group, where their incomes are being affected but are still in excess of means-tested benefits, so we are providing more information on how they can be more efficient with their water consumption. WW think furlough is protecting our bill-paying customers so we haven't seen a significant drop in collections. But what they have started to see over the last month is that more customers on social tariffs are falling into arrears, and more customers in arrears falling behind on repayment plans.

In an industry-wide overview, financial support has grown massively over the last five years; it was c.150,000 households in 2015 and now around c.900,000 households as of March 2020. There is currently an industry-wide review of the effectiveness of affordability support over the last five years, which is being led by the customer regulator CCW and commissioned by Welsh and UK Governments, and is looking at what level of support is needed and how it should be funded. It is expected to report findings in April.

## Questions

**Sam Hughes [Citizens Advice]:** Was the shielding data request made to Welsh Government and do you know if similar requests were made by the gas and electricity distributors, or is it something you got on your own and have sole access to?

**Paula Burnell [Welsh Water]:** Not aware of anyone else accessing shielding data; it was an initiative on our own with Welsh Government to access the priority services data and add it on to ours on a temporary basis for this pandemic period only.

**Neville Rookes [Welsh Local Government Association]:** It has been identified that Fuel poverty must not be addressed in isolation - all forms of poverty can have an impact and be inter-related . There have been incidents recently where those in food poverty have received food parcel deliveries but have been unable to cook any of the food because it costs too much to use the oven or cooker- so unable to benefit from measures intended to alleviate food poverty.

**Crispin Jones [Arbed Am Byth]:** Worth noting to the group that Arbed is working with Dwr Cymru also to try and ensure householders with lead supply pipes to their homes can still benefit from new heating systems if they require help with heating.

## **6. Annual General Meeting**

### **a) Annual report and financial statement**

The draft annual report and financial statement had been previously circulated and was approved as a fair and accurate picture.

### **b) Election of chair**

Mark Isherwood MS was nominated by Sam Hughes (Citizens Advice) and seconded by Ben Saltmarsh (NEA Cymru). There were no other nominations. Mark Isherwood MS is elected as chair.

### **c) Election of secretary**

Ben Saltmarsh (NEA Cymru) was nominated by George Jones (Older Peoples' Commissioner for Wales) and seconded by Tim Thomas (National Residential Landlords Association). There were no other nominations. Ben Saltmarsh is elected as secretary.

The Chair proposed a short, succinct legacy report with key points so that if it's decided in the new Senedd to establish the same group, or equivalent group, they have something to start work from. This can then be circulated and if there are no objections can become a formal document.