



Gweithredu dros Gortrefi Cynnes
Action for Warm Homes

Cross Party Group on Fuel Poverty
Tuesday 10th October 2017
Seminar Rooms 1 & 2, Pierhead Buildings, Cardiff Bay CF10 4PZ
Minutes

In attendance

Mark Isherwood AM
Mike Hedges AM
Simon Thomas AM
Carole Morgan-Jones, NEA Cymru
Susan Glover, NEA Cymru
Laura Nell, Ofgem
Lia Murphy, Ofgem
Ella Maxwell, Ofgem
Michael Anderson, SSE
Sue Purnell, SSE
Andrew Regan, Citizens Advice Cymru
Phil Dawson, E.ON
Andy Davis, Speakeasy
Alison Cawley, Melin Homes
Caroline Summers, Melin Homes
Rhian Cook, Melin Homes
Daniel St John, Nest
Nigel Winnan, Wales & West Utilities
Amanda Biss, Egnida Limited
Sean Davey, Egnida Limited
Simon Lannon, Welsh School of Architecture
Dorine Pannarale, Residential Landlords Association
Jack Sellers, Office of David Melding AM
Bethan Proctor, Office of Jenny Rathbone AM
Peter Wong, Office of Jenny Rathbone AM
Jessica Heyden, Office of Jenny Rathbone AM
Michael Freeman, Riverside Advice
Jack Stacey, Office of Huw Irranca-Davies
Carlos Ruiz, Cardiff Council
Kate O'Sullivan, Cardiff University

Apologies

Neil Hamilton AM
Neil McEvoy AM
Mick Antoniw AM
Gareth Bennett AM
Dawn Bowden AM

Jayne Bryant AM
Angela Burns AM
Paul Davis AM
Dafydd Elis-Thomas AM
Rebecca Evans AM
Russell George AM
Nathan Gill AM
Lesley Griffiths AM
Sian Gwenllian AM
Jane Hutt AM
Nick Ramsay AM
David Rowlands AM
Kirsty Williams AM
Leanne Wood AM
Shea Buckland-Jones, Institute of Welsh Affairs
Nick Speed, British Gas

1. Annual General Meeting (AGM)

Mark Isherwood welcomed guests to the inaugural meeting of the Cross Party Group (CPG) on Fuel Poverty and Energy Efficiency. The new CPG was launched at a reception for Assembly Members (AMs) in June earlier this year and AMs who have agreed to be members of the new CPG, including Mark, are Vikki Howell AM, Labour; Mike Hedges AM, Labour; and Simon Thomas AM, Plaid Cymru.

Apologies received (see above).

Mark outlined to stakeholders that under the rules for CPGs the Group is required to hold an inaugural AGM and to officially elect a chair and secretary. Mark outlined that he had been very pleased to chair the previous Fuel Poverty CPG and would be happy to chair the new CPG if members agreed.

2. Election of Chair and Secretariat

Carole Morgan-Jones nominated Mark Isherwood AM to chair the CPG. This was seconded by Andy Regan and approved by members. No objections were received. Mark said he was honoured to be chair of the CPG.

NEA Cymru provided secretariat support for the previous CPG and would be happy to continue in this role. Mark proposed Carole Morgan-Jones from NEA Cymru as secretariat for the CPG. This was seconded by Andy Regan and approved by members. There were no other nominations and no objections.

3. Protecting vulnerable consumers: An overview of new policies including the prepayment meter (PPM) price cap and plans for a safeguard tariff

Laura Nell, Head of Code Governance Reform, Consumers and Competition, Ofgem outlined the role of Ofgem in protecting all energy consumers with financial vulnerability being a key concern of Ofgem. Ofgem will shortly to be publishing a document on Vulnerable Consumers.

Laura outlined the background to the PPM price cap or PPM Safeguard Tariff which was designed to give PPM customers, who have not been able to benefit from competitive prices in the same way as other customers, a better deal. It was introduced as a result of concerns about a two tier market.

In June 2016, the CMA recommended and set out the methodology for a cap on the amount suppliers can charge PPM customers. The cap is a temporary one, running from April 2017 to December 2020 when the roll out of smart meters is expected to be completed. Ofgem administers the safeguard tariff and updates the levels in April and October. The safeguard tariff will initially apply to about 4 million households, and around 250,000 households in Wales. It was noted that Wales has a higher proportion of PPM customers than England, with a national average around 15%, whereas in Wales it was 19%.

Laura explained why a safeguard tariff for PPM customers was needed. PPM customers generally pay more, and even those who switch save much less. They also cannot access the best deals in the market and face particularly high levels of detriment. They are also more likely to be vulnerable and in debt, and be in fuel poverty.

Research by the CMA shows that consumers in circumstances or with characteristics that indicate they are at a higher risk of being vulnerable are often more likely to be disengaged and on a more expensive SVT. Ofgem's research also shows that consumers with low incomes (below £18K), no qualifications or a disability are more likely to lack confidence in engaging the market, termed "Anxious Avoiders". Those who are over 65 or have a disability are also more likely to be put off by the perceived risks from engaging, termed "Contented Conformers".

It is expected that smart meters will lower suppliers' costs to serve PPM customers which should result in more competitive deals for these customers and a wider choice of prepayment tariffs. Smart meters will also enable consumers to switch more easily between credit and PPM and provide greater flexibility, e.g. top up online and improved emergency credit, and make it easier for consumers to monitor and add, allowing greater flexible energy usage.

The tariff is set with an initial benchmark, calculated by the CMA. This is then updated using three indices to reflect change. The levels of the cap will vary based on the different costs of supplying electricity and gas through pipes and wires around the country. A typical dual fuel PPM customer is paying £1048 a year for their gas and electricity.

Ofgem is committed to reducing the impact of the current two-tier market on vulnerable consumers and PPM customers are most affected by the two-tier market. Other reforms that aim to increase engagement levels across all customers remain a priority. However, these will take time to have an effect, and may not be effective for all types of vulnerable consumers. This is why Ofgem is looking to take additional action to protect vulnerable consumers. In particular, they have been exploring how they could extend the safeguard tariff already in place for PPM tariff customers to vulnerable consumers who do not have a PPM. Ofgem is currently considering proposals in light of recent government announcements.

4. A view from the energy companies

Michael Anderson, Customer Relations Manager at SSE stated that SSE was the second largest energy company in the UK with around one million customers in Wales and the company employs 1500 to 1700 staff on their Cardiff Gate site which specialises in PPM customers. A visit to the site was extended to members of the CPG.

SSE's view on price caps on energy bills is that competition is working, and there is no need for price caps. However, if there is intervention in the market they will engage constructively with the Government and Ofgem on this to avoid any negative impacts on customers. There is current evidence that PPM customers are switching less since the cap. Some customers' bills have gone down but others have seen an increase.

Mark Isherwood welcomed Simon Thomas AM and Mike Hedges AM to the meeting.

5. Response to the new policies from the Fuel Poverty Coalition Cymru

Andrew Regan, Energy Policy Officer Wales, Citizens Advice (CA) Cymru briefly outlined that CA's analysis has found that over the last year dual fuel bills for people on the standard variable tariff rose by £89, three times the rate of inflation. He explained that there are still issues around standard variable tariffs with over 200,000 people visiting CA centres over the past year. He emphasised the importance of an energy market that works better for all consumers and the need to monitor the PPM cap closely and review it in 2020 to see if it had worked.

Carole Morgan-Jones, Director, National Energy Action (NEA) Cymru welcomed the Government's focus on affordable energy. She stated that high energy prices are felt most by low income and fuel poor households with 1 in 4 households in Wales currently in fuel poverty. Affordable energy bills was a particular problem for those people who are particularly vulnerable to the cold. There were also concerns around the increasing number of households in Wales on PPMs. NEA is advocating a more focused cap rather than across the board to target it to those who most need it. A more general cap would require legislation and NEA wanted to ensure the most vulnerable get help for this coming winter.

6. Questions

Simon Thomas AM raised a question about the 2020 smart meter timescale and how realistic this was. Michael Anderson stated that there were logistical challenges with the rollout and they were making all reasonable efforts to engage and communicate with customers to overcome these. There can also be technical issues which arise when installers attend the property.

Mike Hedges AM queried what happened to the smart meter when you switched supplier and whether it would not work when you changed supplier, as he had had personal experience of the issue. There had also been some negative press around timescales for the rollout and a Watchdog programme on smart meters catching fire. Mention was also made around the issue of potential cold calls regarding smart meters. Carole mentioned that NEA was working in partnership with Smart Energy GB to support organisations that work with vulnerable groups to understand the benefits that smart meters can bring. There was general consensus that smart meters would be a topic for consideration at a future CPG meeting.

7. Close

Mark Isherwood thanked members for attending and looked forward to meeting everyone at the next meeting.

The next meeting of the CPG on Fuel Poverty and Energy Efficiency will be held on 12th December 2017, Room A, Ground Floor, B Block, Ty Hywel, Cardiff Bay, 12.15pm to 1.15pm.

The Meeting closed at 13.25pm