

Annex 4C

The impact of company fuel poverty schemes in 2003

Introduction

4C.1 Fuel poverty schemes developed by individual energy companies cover a variety of initiatives, with the main aim of helping the vulnerable customer. These initiatives include: special tariffs for low-income customers; advice on debt management; benefit entitlement checks and measures to improve the energy efficiency of people's homes. These schemes will improve referral networks and support the Government's programme to improve the energy efficiency of the housing stock, especially for the fuel poor.

Surveying Company Schemes

4C.2 DTI runs an annual survey to monitor the impacts of the company schemes aimed at tackling fuel poverty. Energy Services Partnership, on behalf of Ofgem, have also recently published a Review of Suppliers' Corporate Social Initiatives¹. Use of DTI survey data was just one element of their research approach, hence the differences in scale of activities reported, and overall research outputs.

4C.3 The main objectives of the DTI survey are: to assess the number of households helped; to find out to what extent the households have benefited; and to derive the extent to which the schemes are part of the energy supplier's mandatory Energy Efficiency Commitment (EEC) obligations. Full details of the survey are given in an Annex to the UK Fuel Poverty Strategy: Third Annual Progress Report².

4C.4 Schemes have been developed by all energy companies with the objective of helping those in fuel poverty or those households on low incomes. Some of these schemes are delivered in addition to the energy efficiency measures that companies are required to deliver under the Energy Efficiency Commitment (EEC), and focus more on other aspects of fuel poverty, such as health and income. A summary of these schemes can be seen in this chapter from paragraph 14 onwards.

4C.5 Results show that over six million households benefited from the installation of energy efficiency measures as part of such schemes in 2003. This

¹ Energy Services Partnership for Ofgem. (2005). *Review of Suppliers' Corporate Social Initiatives*.

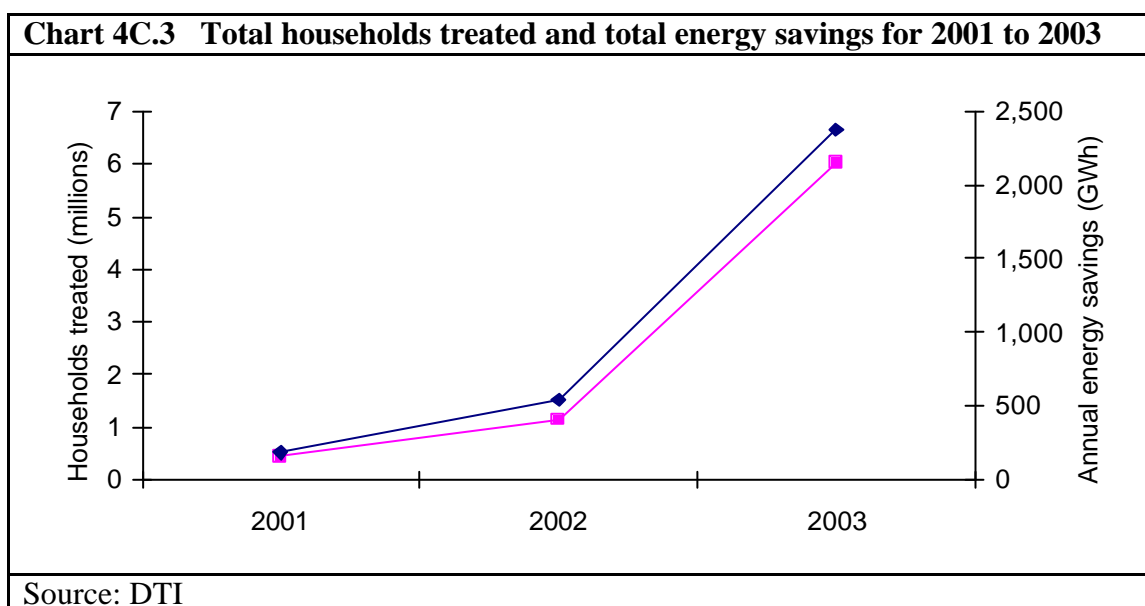
² www.dti.gov.uk/energy/consumers/fuel_poverty/fuel_strategy.shtml

represents a significant rise in activity since 2002, when 1.1 million households received assistance. Similarly, the number of Priority Group households assisted under EEC has more than trebled from 0.8 million to 2.9 million households over the same period.

Energy Efficiency Savings

4C.6 There were almost seven million measures installed in 2003 under company schemes, according to the DTI survey. This is a big increase on the one million measures installed in 2002. A total of 77 per cent of these measures related to the installation of energy efficient appliances and light bulbs. The balance of the measures included heating systems, loft or cavity wall insulations, draught proofing and hot water tank jackets.

4C.7 Types of measures installed varied, but all led to some degree of energy efficiency saving. The typical saving per household was £20, which could be translated into total financial savings from the measures of over £120 million. Each household saved, on average, 395 kWh from the various measures installed in 2003.



Tariff Savings

4C.8 Around half a million households were reported to have benefited from specific deals on tariffs during 2003 compared to around 25,000 reported in 2002. Average tariff savings were almost £95 on annual bills. In some instances, annual savings reached as high as £150. All recipients were in the Priority Group, showing that EEC schemes may often be reaching those whose

incomes need a boost to either reduce the risk of entering fuel poverty, or those who can already be deemed fuel poor.

Benefit Entitlement Checks

4C.9 Benefit entitlement checks are a key mechanism for improving the income side of the fuel poverty equation. These checks are already an established part of the Warm Front Scheme, and results from this and previous surveys suggest that energy companies are developing significant and valuable expertise in this area.

4C.10 Again, all of the savings were achieved by those in the Priority EEC category, reflecting a focus on those in greatest need, with an average annual extra income of £1,284 being achieved per household as a result of successful checks. In some schemes, average increases were judged to be as high as £1,600 per annum. This represents a significant contribution to reducing the risk of fuel poverty, if "average" annual total spend on gas and electricity is taken as £570³ in 2003 for a standard credit customer.

4C.11 The actual number of Benefit Entitlement Checks delivered has not only gone up substantially since both 2001 and 2002, but so too has the average increase in income witnessed, rising from an average of £950 in 2001 (the figure was £709 in 2002).

Total financial savings

4C.12 The ability to benefit from both tariff savings and benefit checks has a knock-on effect on the relative *total potential* saving across all households with the potential per saving per EEC Priority Group household standing at £30.54 compared to £10.23 for non-priority EEC, and £12.55 for households outside of EEC arrangements. However, the differential between priority EEC and non-priority EEC is not significant when tariff savings and improvements in benefits are not considered.

Other Measures

4C.13 Many respondents were unable to fit their activities neatly into the categories offered within the survey instrument, or indeed to quantify the impact of their activities, because the schemes in place focused on very different methods of delivery. One respondent made the comment that any

³ DTI: *Quarterly Energy Prices*, March 2005. Average UK prepayment prices taken from tables 2.2.1 and 2.3.1

approach taken to alleviating fuel poverty has to be holistic, and its impact cannot therefore be easily quantified.

4C.14 In addition to the set schemes in operation, companies therefore reported on other activities, including offering a number of additional "energy services" activities, some of which tie in with elements such as the Priority Services Register. Advice and training on energy efficiency is one such offering, while others offer advice on how to deal with energy related debt, thus potentially improving the income side of the equation further.

Company Scheme Descriptions

British Gas

4C.15 Here to HELP was launched in mid 2002 and offers traditional fuel poverty alleviation measures, such as insulation and lighting, and combines this with: benefit entitlement checks, fuel bill discounts, safety and security products, essential household appliances, and advice and grants from a network of seven charity partners. The target group is priority customers living in communities with high levels of deprivation. The scheme aims to improve the quality of life for families, older people, and disabled people.

4C.16 Warm-a-Life is a national initiative from British Gas, and is focused on the issues of poor housing, low income and high fuel costs. It is targeted at private households. Services available include free energy-efficiency measures, fuel discounts and free benefits entitlement checks to identify if customers are receiving their full amounts of social security benefits. Customers who have found they are entitled to more benefit have, on average, increased their income by over £1,600 a year. Since Warm-a-Life was introduced in 2000, over 60,000 customers have benefited. Warm-a-Life is now incorporated into the Here to HELP programme with all the benefits from that programme now available to this group of customers.

4C.17 Through a Social Housing Scheme, British Gas runs a nationwide programme to offer the benefits of improved energy efficiency to customers in state or community-funded accommodation. This is achieved by providing funding to local authorities and housing associations for cavity wall insulation, loft insulation, solid wall insulation, condensing boilers and fuel switching. In 2004, over 85,000 households throughout England, Scotland and Wales benefited from improved insulation and better heating to help keep their homes warmer and reduce their fuel bills.

EDF

4C.18 The Social Housing Insulation Scheme has a strong focus on Priority EEC households, and offers insulation measures and grants for social housing providers. The overall aim of the scheme is to encourage energy efficiency and lower fuel bills.

4C.19 Private Homes Insulation Scheme is aimed at priority and non-priority customers in the private sector. As with the Social Housing scheme, its objective is to improve energy efficiency and lower fuel bills for customers.

4C.20 Warm Front Integration Scheme is targeted at the Priority EEC group. Delivered in partnership with EAGA, it provides insulation measures to supplement Warm Front packages. Again, the focus is on energy efficiency in order to lower fuel bills.

4C.21 Seeboard sponsor the Energycare Network scheme, which is managed by the Energy Conservation and Solar Centre (ECSC). It trains a network of front line workers such as Health Visitors and Home Carers to visit vulnerable "hard to reach" householders in fuel poverty to refer them for grant assistance for insulation measures and/or energy advice. It operates in Sussex, Surrey and Kent.

4C.22 The Priority Group Lighting Scheme provides free compact fluorescent lamps to customers in receipt of qualifying benefits. The scheme's objective was to introduce the concept of energy efficiency and how it can lower fuel bills.

National Grid Transco

4C.23 National Grid Transco's Home Energy Action Team (HEAT) provides training in energy surveying and energy efficiency awareness. It also offers a portfolio of energy auditing services to a range of customers. These services mainly take the form of energy surveys of properties in the domestic sector, which range from low level audits of large scale stock samples through to in-depth audits of individual properties. The survey results highlight possible energy efficiency improvements and potential energy savings as well as allowing the calculation of SAP and NHER scores.

4C.24 Transco's Affordable Warmth programme, 'Heat Leasing,' is an initiative that tackles all aspects of fuel poverty in one go. The Heat Leasing programme helps social housing providers (RSLs) tackle fuel poverty on three important

fronts; by providing a financial solution to underpin the installation of adequate heating equipment; unlocking other sources of funding to improve building fabric; and helping to develop local training courses in energy efficiency and gas industry skills in order to sustain the programme. Heat Leasing enables RSLs to finance energy efficient heating systems from revenue rather than capital budgets.

Northern Ireland Electricity

4C.25 Home Energy Direct is a payment scheme from Northern Ireland Electricity (NIE), which uses the pay-as-you-go method for buying electricity. This method is based on a keypad and is installed free of charge by an NIE electrician. Keypad customers receive 2.5 per cent discount on their electricity costs.

Npower

4C.26 Npower's Health Through Warmth (HTW) is a programme that seeks to tackle fuel poverty, associated cold-related illnesses and excess winter mortality. It facilitates the installation of energy efficiency measures and heating where they are most needed. The programme was established by npower in 2000 in partnership with the NHS and National Energy Action (NEA).

4C.27 Spreading Warmth is a new integrated programme with initial focus on fuel poor and vulnerable customers. The programme of activities will bring together existing social obligations, products and services, and enhance them with targeted products to meet the identified needs of these customers. First Step is a package for customers who are struggling to pay energy use, perhaps because of debt. It takes a holistic approach, offering a package of solutions in agreement with the customer, with help and support to enable and encourage the customer to take up the services offered. For customers in extreme hardship who will be unable to repay debt, a customer assistance fund has been set up to provide debt relief. From September 2005, customers in the First Step programme will be offered our First Step tariff (npower's best available tariff), regardless of payment method.

Phoenix Natural Gas

4C.28 The Cashback Scheme was offered to domestic homeowners and private rented (landlord) households. Up to £325 Cashback was made available to

customers, depending on the heating system customers changed from and the type of boiler they installed. This scheme encouraged new customers to make the switch to natural gas quicker than they would otherwise have done by offering a financial subsidy towards the installation of a gas system. The scheme proved very successful and was taken up by around 1,500 new customers.

4C.29 The Free Boiler Scheme reduces the installation cost of a gas boiler by £500, (by providing a free boiler worth £500) to natural gas consumers in Northern Ireland, and therefore such customers were given a considerable subsidy towards the capital cost of installing a natural gas system. These newly installed natural gas systems have a high level of controls, and customers are offered energy efficiency advice as part of Phoenix's Energy Audit. About 1,500 customers took up this offer.

4C.30 The “Zero Per Cent Interest Free Credit Scheme” was a partnership between Phoenix, Northern Ireland Electricity (NIE) and the Northern Ireland Housing Executive (NIHE). Homeowners paid no interest over three years to cover the installation cost of a newly installed natural gas heating system. The actual interest payments were underwritten by First National Bank. The cost of underwriting the zero per cent interest payments was subsidised by the funding partners. This incentive removed a significant hurdle to customers installing natural gas systems through financing the interest payments of the loan with a genuine interest free offer. This scheme was packaged in a number of formats throughout the year leading to 800 customers taking up this offer.

Powergen

4C.31 Powergen's Staywarm offers over-60s customers a fixed price regardless of the amount of gas or electricity used. Eligibility and the amount paid are based on the number of people in the household and the number of bedrooms in the home. Customers are guaranteed the fixed price for twelve months from the time of sign up.

4C.32 Powergen works in partnership with Age Concern to meet the needs of their older customers and have a special product offering exclusive cold weather rebates for gas customers over 60, plus a range of other benefits including:

- Competitive gas and electricity prices
- A free early-warning hypothermia thermometer
- Three free carbon monoxide detectors
- Free energy efficiency advice
- Dedicated customer service helpline, 24 hours a day, 365 days a year

- Choice of ways to pay
- Two free low energy light bulbs

Scottish and Southern Energy

4C.33 Scottish and Southern Energy (SSE) have worked with social housing providers to provide grant funding towards improvements in their social housing. SSE has also offered grant subsidies to owner occupiers towards the cost of home insulation measures. Measures funded included cavity wall insulation, loft insulation, draught proofing and hot water cylinder insulation jackets. Customers in receipt of a priority benefit were offered free insulation.

4C.34 Easywarm is a special tariff available to over 50s paying by direct debit and is being piloted in the old SWALEC area (South Wales).

Scottish Power

4C.35 Scottish Power became the official energy partner for Newcastle City Council's Warm Zone in April 2004. The council follows an ambitious affordable warmth strategy, which is committed to eliminating fuel poverty in the city by 2010. Under this partnership four different schemes support a range of energy efficiency activities across the city, each addressing the needs of different community groups. The city's 120,000 residents can benefit from matched funding to provide cavity wall and loft insulation measures and every eligible household, regardless of income and circumstances, will be eligible for financial and practical help towards making their home more energy efficient, less wasteful and more comfortable. By May, 2005 a total of 1,600 households received benefits entitlement checks and gained a total of £260,000 in unclaimed benefits.

4C.36 In Scotland, Scottish Power works with most local authorities. Some, such as North Lanarkshire and South Lanarkshire Councils and Dundee City Council, have taken the partnership to a higher level, forming Community Energy Partnerships (CEPs), with Scottish Power helping as a funding provider. CEP's adopt a similar approach to their Warm Zone counterparts in England. The CEP in Dundee, which has now completed the data collections phase of its work, identified fuel poor households in the city and those who, while not fuel poor, live in properties that could benefit from insulation measures and benefit entitlement checks. Householders on average received an additional £1,100 in benefits per annum.

4C.37 A number of initiatives are being piloted with the Citizen's Advice Bureau (CAB) including the following:

- A dedicated phone line for CAB advisors to call our Collections team for advice on accounts in debt
- Sponsorship for a Debt Utility Project in Liverpool for a full time specialist advisor and NVQ training for other advisors
- Trialling the use of a freephone number into a Citizen's Advice Bureau in Glasgow to provide independent debt advice and access to a Benefits Health check.

The main aim of the association with CAB is to encourage consumers to seek independent advice and prevent debt and disconnection, particularly for vulnerable customers.

4C.38 Community Liaison Officers are 14 dedicated staff providing face-to-face customer contact. Highly skilled employees represent Scottish Power within the community on both an advisory and representative basis. They also assist Scottish Power employees, providing training to a variety of areas to the business, including identifying and dealing with vulnerable customers.

4C.39 Scottish Power also helps with the Heat Light and power company (HELPCo), a not for profit Energy Services Company (ESCO) company set up in February 2000 and supported by the Energy Saving Trust and the Greater London Energy Efficiency network. It aims to provide energy services to all residents in the locality regardless of wealth; offer packages that will significantly benefit those who are disadvantaged; and work in partnership with local organisations, particularly, local authorities, to provide customers with the cheapest electricity tariff, regardless of payment method.