

**London Assembly report on tackling fuel poverty in London:
'In from the cold?'**

ScottishPower Response

Sustained economic growth is central to addressing poverty, including fuel poverty. Beyond that, we agree with the emphasis that the report places on energy efficiency measures as a key long-term approach to reducing the risk of fuel poverty. The Government's Green Deal and Energy Company Obligation (ECO) are ambitious new policies which could significantly assist in the improvement of Britain's housing stock so as to reduce unnecessary use of energy. The Government has recently announced that at least £540 million of the £1.3 billion per annum ECO programme should be focussed on helping the poorest households through the Affordable Warmth sub-obligation and an area-based scheme under the carbon saving sub-obligation, namely, the Carbon Saving Community Obligation (CSCO). Energy suppliers will play a key role in the delivery of these programmes. In particular, we have a clear focus on ensuring that energy efficiency obligation programmes work well and can be delivered at a cost to the generality of consumers that does not exceed the intended level. We have therefore been engaging with the Government on the design of ECO seeking to ensure that lessons are learnt from the current delivery challenges under CESP and CERT and that the schemes can be as cost effective as possible.

Recommendation 1

The GLA should work with energy companies, central government and local authorities to test and refine the prototype mapping tool we have developed. The GLA should then publish and regularly update the tool within the London Data store, so that all delivery bodies can use it to help target the support they provide. This should be completed by May 2012.

Energy companies are currently facing severe delivery challenges in relation to the existing CERT and CESP schemes. We consider that a major cause of these difficulties has been an excessive focus on a small number of delivery routes and tight eligibility rules. We have therefore been engaging with the Government on seeking to build in sufficient flexibility to the new ECO to facilitate effective delivery. Going forward, we would also welcome any assistance that the GLA might provide in helping to identify households suitable for and willing to accept the installation of energy efficiency measures under ECO.

We are already working closely with a number of local authorities who are currently investigating opportunities within their area, including by using a combination of data sources to provide useful mapping tools. The development of the GLA's prototype mapping tool would be a very helpful complement to the other work underway in this area. It could particularly help with identifying the various property types suitable for different kinds of energy efficiency treatment in low income and vulnerable communities.

Recommendation 2

London Carbon Action Network should establish a London Affordable Warmth and Health Forum to promote citywide action on fuel poverty. The forum should work with the support of London Councils and members should be invited from a range of partners including local authorities, Registered Social Landlords, the NHS, and the GLA to discuss effective practice and working in partnership. It should be set up by July 2012 to discuss effective solutions that can be implemented in winter 2012/13.

We can see a potentially important role for a London Affordable Warmth and Health Forum bringing together local authorities, agencies, and other stakeholders to facilitate better partnership working in delivering energy efficiency measures to local communities. A particular challenge with the ECO as currently designed is the high proportion of solid wall insulation (SWI) that needs to be delivered – driving demand at scale for this relatively new measure is likely to be difficult. This will place a premium on effective partnership working between local authorities, registered social landlords and energy suppliers. The GLA could play a key role in helping to facilitate this.

As regards the proposed Forum, clear terms of reference will need to be defined and the most appropriate membership carefully identified. It will also be important that representatives are senior enough that they are able to engage effectively in the Forum process.

Recommendation 3

By May 2012, the GLA should establish criteria for areas to be selected for the next tranche of RE:NEW funding. This extension of the programme should prioritise households likely to be in severe fuel poverty. It should explicitly target areas with a high proportion of households at risk of fuel poverty, designated as Affordable Warmth Zones, using the fuel poverty risk mapping carried out under Recommendation 1.

Under ECO, it is currently planned that there will be two elements that provide for a particular focus on delivering to low income households. First, an Affordable Warmth sub-obligation which will provide heating and basic insulation measures to households in receipt of eligible benefits in the private sector. Second, under the overall carbon saving obligation, a specific, tenure-blind Carbon Saving Community Obligation (CSCO) delivering insulation measures (including loft and cavity wall insulation) through an area based approach that targets Lower Super Output Areas (LSOAs) in the lowest 15% of the Index of Multiple Deprivation (IMD).

We will be looking to build on our current practice of partnership working with local authorities to maximise cost-effective delivery of both the Affordable Warmth sub-obligation and the Carbon Saving Community Obligation. However, recent experience from delivering to the Super Priority Group under the CERT obligation highlights the challenges associated with finding suitable properties with households willing to take-up measures. Moreover, the Government's recent difficulties with delivering the Warm Front scheme further underlines this challenge. We would,

therefore, welcome support from the GLA and local authorities in strengthening outreach efforts to vulnerable and low income communities.

Recommendation 4

The Secretary of State for Energy and Climate Change should make provision for a regional ECO target to ensure an equitable distribution of ECO funding across Great Britain. The target should clearly set out the level of ECO investment London households can expect in the initial three-year period of the scheme to 2015.

As stated above, energy suppliers are currently facing severe uptake challenges for insulation measures under CESP and aspects of CERT. This experience shows that it is essential to build in sufficient flexibility to the new ECO to facilitate effective delivery.

We therefore welcome the recent indication from the Government that it is intending to introduce an area-based approach under the carbon saving obligation of ECO, allowing for delivery of basic insulation measures (loft and cavity wall) to low income and vulnerable communities, rather than simply focussing on delivery of solid wall insulation which has particular uptake challenges. We have found that area-based initiatives working in partnership with local authorities and charities can be an effective way of reaching out to households in vulnerable communities. Local authority data and knowledge has been important to the success of these projects. Such an approach should facilitate further delivery to vulnerable communities in London. In addition, the option of delivering boiler replacement and heating measures under the Affordable Warmth sub-obligation should significantly improve opportunities for delivery in low income areas in London.

The GLA will have a key role to play in helping to facilitate this. We are committed to engaging fully with the GLA and local authorities in helping to meet this delivery challenge.

We do not, however, support prescribed regional delivery targets under ECO. In order to ensure that energy companies can deliver effectively under supplier obligations, whilst minimising costs on bills for consumers generally, it is essential to avoid too much complexity in the obligations and to build sufficient flexibility in the overall design. Given the inevitable uncertainty around the assumptions underpinning projections for both carbon reductions and heat savings under the ECO, we consider that there should be a degree of flexibility between the obligated sub-targets to facilitate practicable, cost-effective delivery. In this context, we consider that the introduction of prescribed regional delivery targets would add a further layer of complexity and rigidity to the design of ECO and risk undermining cost-effective delivery of the programme.

Recommendation 5

By July 2012, the energy companies should each commit funding to the RE:NEW 2 programme, in proportion to the number of customers they have in London. The commitment should provide annual funding from 2013 to 2016, to provide a stable and secure source of funding for the programme over a sufficient period. By January 2013, the energy companies should also commit a percentage of their ECO Affordable Warmth funding to works on homes in Greater London, including those identified through the RE:NEW 2 programme.

We still await the Government's formal response to the ECO Consultation and details of the overall design of ECO, including information on the scale of the respective delivery challenges under a revised Impact Assessment. As stated above, we consider that the current design, as we understand it, offers the prospect for significant delivery of energy efficiency measures to low income areas in London. However, we will be considering in detail our delivery plans under ECO upon publication of the finalised details of the proposed scheme.

Recommendation 6

We recommend that, in response to this report, by July 2012 the GLA should set out proposals for the RE:NEW 2 programme to provide a comprehensive referral service to other sources of support for households in fuel poverty, including advice on discounts, tariffs and income maximisation.

We would welcome the development of any effective referral service that a RE:NEW 2 programme might develop. As previously stated, it is becoming an increasingly difficult and costly challenge for energy suppliers to identify households that are able and willing to benefit from delivery of energy efficiency measures under the current supplier obligations. The Government is committed to taking forward the design of a national referrals mechanism under the new ECO to help address this. A London-focussed referrals service that complemented the national service, could be useful in further promoting outreach to vulnerable and low income communities. In particular, a London-focussed programme which brought together a number of local stakeholders and a range of appropriate local expertise could be well-placed to promote delivery at a community level. We would therefore be keen to work with the GLA on the design of any such referral mechanism to facilitate effective outreach and timely delivery of measures to households.

Recommendation 7

By July 2012, the 'Big 6' energy companies should agree a consistent set of criteria for the 'broader group' recipients of the Warm Home Discount. These criteria must encompass those most at risk of fuel poverty.

Taking stock of our delivery experience after the first year of the Government's new Warm Home Discount scheme, we would note that whilst we have sought to design a straightforward application process for the Broader Group to ensure that the payments go to persons eligible for them, the approach of asking customers to disclose information about their benefits status to their energy supplier could deter potential beneficiaries.

We therefore consider that it would be helpful to explore further the benefits of data matching beyond the pensioner population to deliver automatic entitlement to assistance to vulnerable people without the need for customers to apply.

Recommendation 8

The GLA should, by July 2012 and in consultation with the energy companies and local authorities, develop an affordable warmth strategy for London. The plan should include an agreement on the risk mapping criteria; the identification of priority areas for intervention on the basis of risk mapping; a timeline for the programme to work in each of those areas between 2012 and 2016; and agreed measures to tackle some of the barriers to investment in London (such as parking restrictions and planning permissions for solid wall insulation).

As set out above, we would welcome further support from the GLA in helping to identify areas at risk of fuel poverty with households suitable and willing to receive support under the Government's new ECO. As part of this, we would also welcome the proposed role for the GLA in promoting effective partnership working between local authorities, registered social landlords and obligated energy suppliers. The scale of the challenges under the current proposals for ECO suggest that a strategic approach to considering the potential role of the GLA working with other delivery bodies and partners will be critical.

In particular, as already noted, the current design of the ECO is premised on highly ambitious assumptions about the scale of uptake of the relatively new treatment of solid wall insulation (SWI). We think that deployment on traditional properties, in particular, is likely to be very limited because of the impact on the appearance and/or room sizes of the homes in question.

The Government has identified social housing as a particular area that might benefit from a programme of SWI at scale under ECO. Local authorities will be crucial to facilitating effective delivery to this sector and lessons will need to be learnt from CESP to streamline the future delivery process, avoid unnecessary delays, and maximise opportunities. The GLA could be an important facilitator of this in London through the development of an overarching affordable warmth strategy.

In this context, we would also note that local authorities have a key role to play in working with their planning departments to overcome some of the barriers and challenges that have been experienced with the delivery of SWI in suitable properties under the existing CESP obligation.