

Consultation Response

16th September 2019



Consultation on the Fuel Poverty Strategy for England

The Energy and Utilities Alliance (EUA) provides a leading industry voice helping shape the future policy direction within the sector. Using its wealth of expertise and over 100 years of experience, it acts to further the best interests of its members and the wider community in working towards a sustainable, energy secure and efficient future. EUA has six organisational divisions - Utility Networks, the Heating and Hotwater Industry Council (HHIC), the Industrial & Commercial Energy Association (ICOM), the Hot Water Association (HWA), the Manufacturers' Association of Radiators and Convector (MARC) and the Gas Vehicles Network (GVN).

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1. Do you agree with the Government's proposal to update the fuel poverty metric to Low Income Low Energy Efficiency? If not, which metric would you prefer and why?

Yes, we agree with the proposal to alter the measure of fuel poverty from one primarily focused on relative fuel costs to one focused on levels of energy efficiency. The retention of the focus on tackling high fuel costs that force households below the poverty line is welcome. High levels of fuel poverty churn have meant that a significant proportion of the households being targeted for support have changed frequently, leading to a disproportionate focus on 'quick wins', often taking the form of single measures that lack the ambition needed for the Government to reach its target of having as many homes as possible at band C by 2030.

We believe that the new Low Income Low Energy Efficiency (LILEE) metric will allow for a more effective focus on a more fixed set of fuel poor households whose high costs are primarily related to the inefficiency of their home; this is particularly relevant as methods of targeting households in need of support are becoming more developed. Currently, many households with a Fuel Poverty Energy Efficiency Rating (FPEER) of band D are falling just out of the scope of current schemes, or are moving in and out of scope too frequently to be identified for energy efficiency measures. This change will go some way to addressing this issue without dropping too many households that are currently covered by the Low Income High Costs (LIHC) metric.

We do, however, have a slight concern around the special consideration which ought to be given to vulnerable consumers, particularly those with high health-related costs and/or conditions which are exacerbated by living in a cold home. Some of these consumers may still be at risk of having to choose between heating their home and paying other expenses and so they should not be discounted simply because they live in a home rated band C or above. We welcome the commitment to a vulnerability principle but we would ask that the Department consider factoring in benefits received for care needs or disabilities, as is the case under Scotland's new fuel poverty definition. We do not believe that this would fundamentally change the focus of the proposed metric for England as there would not be a condition of 10% of adjusted net income. However,

including these costs could give a truer picture of the vulnerability of consumers who are close to, or above, the proposed band D threshold.

2. The proposed metric update – LILEE – would necessitate certain updates to the current methodology, namely as regards the high costs threshold, but the other aspects of the current LIHC methodology would not necessarily need updating. Do you have views or evidence on whether Government should update those other aspects of the methodology on the introduction of LILEE, including the following: household energy requirements calculation, including heating regimes, equivalisation factors for fuel costs and for income, income methodology, fuel prices methodology?

We have no comment to make on the other methodologies.

3. Do you agree that Government should retain the current target and interim milestones?

Yes, we do believe that the current target and milestones should be retained. However, we would question the achievability of the target given the slow rates of progress towards band C upgrades in the last five years. At the current rate of progress, it could take five or six decades to get close to 100%, so clearly much more ambitious policies will be needed to close the gap in just over ten years.

We believe that the interim milestones are important as they can enable the focus of fuel poverty policies and schemes to evolve over time as the energy efficiency profile of fuel poor households changes. For example, from next year the clear focus will need to be on moving as many properties from band E to at least band D and, preferably, straight to band C where feasible. Hopefully, from the middle of the next decade over 90% of fuel poor properties will be at band D so the focus can shift to the more difficult task of upgrading homes at bands D-G up to band C.

We remain concerned that the 2030 target could quickly become out of reach if the scope of improvements funded, particularly under the Energy Companies Obligation (ECO), is not expanded. We will go into this in more detail in our responses to subsequent questions but essentially we believe one of the key issues with many schemes to date is that they have focused on many small, piecemeal measures which neglects the potential for deeper retrofits and improvements to heating systems. These kinds of measures can deliver far larger and more impactful improvements to the energy efficiency of fuel poor households in a cost-effective way.

4. Do you have views or evidence on our proposal to add more detail on, and clarify, the meaning of the 'Worst First' principle, including the considerations raised above?

We are broadly supportive of the proposals to amend the 'Worst First' principle. We appreciate that solely targeting the most inefficient homes at bands F and G before moving up to higher bands would not be the best use of public money. There are many homes, particularly in bands D and E, which could be raised to band C with relatively little expenditure, whilst many homes at the bottom of the scale would require extensive changes to reach even band D, of which many would be very disruptive to the householder, such as solid wall or floor insulation. The focus of the 'worst first' principle should be on the households which stand to benefit the most from

assistance under a fuel poverty scheme. A single costly, extensive retrofit of an inefficient property could be substituted for significant improvements to a number of properties languishing slightly higher up the energy efficiency ratings.

We would also add that we remain of the view that the landlord contribution cap of £3,500 is too low, particularly as there are some options for landlords to obtain grant funding to carry out work. Given that this policy focuses on some of the most inefficient housing stock in the UK, the direct cause of much of the deepest fuel poverty we see, we would prefer to see the cap set at £5,000.

We support the inclusion of a 'straight to C' approach to households where this can be achieved. This would mean less disruption for households and, in the vast majority of cases, a more efficient use of taxpayers' money. The installation of modern, efficient central heating systems where older systems or direct electric heating exists can be key to delivering large improvements in energy efficiency ratings.

5. Do you have views or evidence on our proposal to add more detail on, and clarify, the meaning of the cost-effectiveness principle, including the considerations raised above?

We fully agree that even when tackling an issue as pervasive and debilitating as fuel poverty, making best use of taxpayers' money must be a priority to ensure that money spent has the greatest possible positive effect on alleviating it. This is one of the reasons why we believe recent shifts in the priorities of ECO have had a negative effect on the scheme's impact and its cost-effectiveness.

In the past, ECO delivered new or upgraded central heating systems to fuel poor properties, including some who received their first central heating system following a new connection to the gas grid. This enabled these households to benefit from greatly reduced bills and a large increase in their property's energy efficiency rating. Payback times for central heating focused measures are far quicker than for insulation measures which provides a value-for-money benefit to taxpayers in addition to the quality of life benefits for recipients. From 2017 onwards, there has been a disproportionate focus on funding insulation through ECO which does not always raise households out of fuel poverty, particularly when they are left with an inefficient and expensive primary source of heat such as direct electric. It can also mean ECO measures fall short of raising properties up to band C when a more holistic approach to retrofitting fuel poor homes involving central heating upgrades could do so. This produces poorer outcomes for households involved with fuel poverty schemes and poorer outcomes regarding best use of taxpayers' money.

We believe therefore that fuel poverty schemes should focus on the cost-effectiveness of the measures they are delivering, as well as which body pays for them and where they are installed. Analysis produced by EUA ahead of the commencement of the current round of ECO funding found that if the scheme was refocused to prioritise installing first time central heating systems for fuel poor homes not on but near to the gas grid, 139,130 homes could have seen their energy bills reduced by a minimum of £922 a year, a significant amount of money which exceeds the average fuel poverty gap in much of the UK¹. Our analysis also found that a departure from the current approach of targeting fuel poor properties in isolation in favour of a more street-by-street approach would be more effective and efficient and would provide the added benefit of assisting

¹ [Fuel Poverty: A connected solution](#), Energy and Utilities Alliance, January 2017

households who are on the edge of being considered fuel poor before their situation worsens. Able-to-pay households who wish to buy in to a planned upgrade in their area could also benefit from lower costs given that economies of scale would be involved with a street-by-street approach.

It is vital for the Government to consider the long term benefits of measures aimed at tackling fuel poverty, as well as their payback times, when evaluating potential measures, as opposed to simply picking cheap 'quick wins' which will deliver few benefits for households or the taxpayer.

6. Do you have views or evidence on our proposal to add more detail on, and clarify, the meaning of the vulnerability principle and, in particular, on our proposed changes to the meaning of the principle?

We support the principle of including the health and wellbeing of people on very low incomes in the scope of policies designed to tackle fuel poverty, even if they do not currently fall within the proposed fuel poverty metric. This is not only the morally correct thing to do, but it could also make policies more effective in the long term given that, as the consultation document outlines, fuel poverty churn means many households are teetering on the edge of falling into fuel poverty, something that will remain the case to some extent even with the proposed revisions to the metric.

We are particularly concerned around the negative health effects of living in a cold home on people with debilitating respiratory conditions such as chronic obstructive pulmonary disease (COPD). Common and diverse conditions such as COPD contribute to a significant cost burden on the National Health Service associated with bouts of cold weather, estimated to be £1.5 billion a year². A recent trial of an innovative approach to tackling ill health exacerbated by cold homes in Sunderland found that delivering modern, efficient gas boilers can cut the number of appointments and contacts COPD sufferers need to have with their GP and hospital whilst also saving them £30 a month on average and improving their quality of life³. Not all of the patients involved with this trial would have been living in a home with an energy efficiency rating of band D or below, but all could benefit from measures that would save the NHS money and possibly prevent them from falling into fuel poverty in the future.

We support the ECO Flexible Eligibility policy which enables local authorities to identify households which have low incomes and are deemed vulnerable to the cold. However, given that the negative effects of living in a cold home are often health-related, we believe that it would be beneficial to also allow GPs and other health professionals coming into contact with such households to make referrals as standard across the UK, or at least for them to be able to feed into the applications being made by local authorities.

7. Do you agree with our proposal to create a fourth principle on aligning fuel poverty strategy with current and future Government priorities? Do you have views or evidence that may be useful in creating this principle?

We agree with the proposal to create a new principle to align fuel poverty policies with the ambition for the UK to be carbon neutral by 2050 as it would be short-sighted not to do so.

² [Fuel Poverty: ending the vicious cycle of vulnerability](#), Energy and Utilities Alliance, January 2018

³ [Boiler on Prescription closing report](#), Gentoo Group, March 2016

However, we do feel that there is some potentially damaging confusion around the Fuel Poor Network Extension Scheme which need to be addressed before the Government moves forward with its new fuel poverty strategy.

The Fuel Poor Network Extension Scheme has provided huge benefits for hundreds of thousands of households across the country, as outlined in our response to question 5. We appreciate the statement that it is helping households in need of assistance with their energy bills by substantially lowering their fuel costs. However, we do not agree that an ambition to phase out fossil fuel heating means that the gas grid cannot be extended beyond the middle of the next decade. The announcement of a proposed Future Homes Standard by the former Chancellor in his Spring Statement earlier this year has been interpreted as signalling the Government's intention to ban extension of the gas grid to newly built homes from the mid-2020s. However, this is not the case; the former Chancellor signalled his desire to see fossil fuel based heating systems phased out from them but this does not negate the potential for heating systems running on low or zero carbon gas from being installed. It also does not mean that the gas grid cannot be extended to existing fuel poor properties.

Indeed, the former Chancellor also announced an intention to speed up the greening of the gas grid, one of our biggest opportunities to reduce domestic carbon emissions which utilities a huge piece of national infrastructure which has built up over two centuries and is still being upgraded today. As we can see from high fuel costs for homes with direct electric systems, alternatives to gas central heating can be hugely expensive for households and, in some cases, can single-handedly push them into fuel poverty. The Government must be very careful not to rule out the cheapest and most prevalent heating fuel in the UK as it can be vital tool in alleviating fuel poverty in a cost-effective way that is familiar to end users. Low carbon electricity-based heating systems are proving to be prohibitively expensive even for the vast majority of the able-to-pay sector, so what options will there be for fuel poor households? The Governments must consider questions such as this when it is considering the cost-effectiveness of potential measures alongside any new sustainability principle.

Efficient gas central heating systems have the ability to deliver affordable and effective heat to fuel poor households. This can continue to be the case in the future with the development of a hydrogen-based gas grid delivering low carbon heating to the vast majority of homes in the UK. This means that continued expansion of the gas grid can continue to benefit the fuel poor without contradicting our long term decarbonisation strategy. This is why EUA is arguing strongly for the voice of consumers, and particularly the fuel poor, to be heard in the ongoing debate around the decarbonisation of heat in Britain's homes. We do not feel that their voice is currently being heard in that debate which could have negative consequences if wide-ranging energy policies are decided without the full impact on fuel poverty alleviation schemes being given due consideration.

The gas grid can continue to have a role in tackling fuel poverty and we would ask that the Government considers this alongside the anticipated detail following the announcements in the Spring Statement, before decisions are made on its future within the fuel poverty strategy for England.

8. Would you suggest any other guiding strategic principles? Do you have any other views or evidence on the guiding principles?

We have no suggestions for any other strategic principles.

9. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve energy efficiency for households in fuel poverty?

We reaffirm our belief that a more holistic approach to upgrading the energy efficiency of fuel poor properties would be more effective and efficient when it comes to achieving the aim of raising as many as possible to band C by 2030. Many households could be upgraded to band C simply by having a replacement central heating system installed and others could achieve it with a combination of measures which include some central heating measures.

We feel that for band C to be achieved in as many private rented homes as possible by 2030, landlords must be required to make a far greater contribution to the energy efficiency of their properties than they currently do. There are not currently many schemes available for landlords to access funding which means the cap of £3,500 comes into play. This means insufficient action is being taken to address the most inefficient portion of the UK's housing stock.

10. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve energy efficiency for households in fuel poverty?

The focus on insulation measures which has been instilled in the current round of ECO has held back the ability of the scheme to substantially improve the energy efficiency of our housing stock up to band C. We believe that the new fuel poverty strategy should commit to first time installation of central heating systems in fuel poor homes close to the gas grid as a way of addressing deep fuel poverty in a cost-effective way. We also believe that committing to replacing inefficient, non-condensing existing gas boilers in fuel poor homes with modern condensing A-rated boilers would provide households with significant bill savings as well as a jump in their energy efficiency rating.

11. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve partnership and learning on fuel poverty?

The work being done by Cadent's Affordable Warmth Solutions project should be looked to as an example of an effective way of alleviating fuel poverty through new gas grid connections and the Warm Homes Fund. Affordable Warmth Solutions work with local authorities and social landlords to identify and support fuel poor households, something which should be encouraged. We believe that the expertise of the gas networks should be harnessed to enable fuel poverty schemes to make the most of the lower fuel costs which the gas grid can deliver.

12. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve partnership and learning on fuel poverty?

We have no suggestions to make on improving partnership and learning.

13. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve targeting for households in fuel poverty?

We believe that a wider range of professionals should be able to refer households for assistance under fuel poverty alleviation schemes. GPs and healthcare professions could be well placed to refer their patients who are living in a cold home. The non-gas map is also a valuable resource for targeting fuel poor, off-gas grid properties which are in close proximity to a grid connection.

14. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve targeting for households in fuel poverty?

We have no suggestions to make around the targeting of fuel poor households.

15. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to support households in fuel poverty in high cost homes?

As previously stated, we believe that a commitment to supporting the Fuel Poor Network Extension Scheme to deliver gas grid connections will enable households with high costs to have far lower fuel costs. This should be considered as part of the new fuel poverty strategy as it will enable a number of principles and objectives to be met, from energy efficiency upgrades to phasing out high carbon heating and opening the door for low carbon gas to be supplied in the future.

16. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to support households in fuel poverty in high cost homes?

We have no additional suggestions to make around high cost homes.

17. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve support for low income households who are most at risk for adverse health outcomes from living in a cold home?

We refer back to the response we gave to question 6.

18. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve support for low income households who are most at risk for adverse health outcomes from living in a cold home?

We refer back to the response we gave to question 6.

19. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to decrease the financial burden of energy bills for households in fuel poverty?

We have no comments to make on financial support for fuel poor households with high energy bills.

20. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to decrease the financial burden of energy bills for households in fuel poverty?

We have no comments to make on financial support for fuel poor households with high energy bills.

21. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to create a fairer energy market for households in fuel poverty?

We have no comments to make on the energy market.

22. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to create a fairer energy market for households in fuel poverty?

We have no comments to make on the energy market.

23. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve the evidence base on fuel poverty?

We have no comments to make on the academic evidence base around fuel poverty.

24. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve the evidence base on fuel poverty?

We have no comments to make on the academic evidence base around fuel poverty.

25. Are existing arrangements sufficient to meet our commitments to review and scrutinise Government action on fuel poverty?

We have no comments to make on the scrutiny of Government action on fuel poverty.

26. Do you have any further views or evidence on how the 2015 fuel poverty strategy should be updated?

We have no further comments to make.