

The UK Fuel Poverty Strategy

**5th ANNUAL
PROGRESS REPORT**

2007



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Ministerial Foreword

Tackling fuel poverty is a priority for the Government. We have set challenging targets and remain committed to maintaining and strengthening the framework we have established to help those vulnerable households that find it difficult to heat their home.

We are proud of our achievements to date:

- We are the first country in the world to recognise the issue of fuel poverty and to put in place measures to tackle the issue, including spending £20 billion on benefits and programmes since 2000;
- Substantial reductions in fuel poverty since 1996 with over 4 million households removed from fuel poverty in the UK;
- We have assisted over 2 million households in the UK through Fuel Poverty Schemes. The range of schemes we offer are now far more flexible, so that those receiving help can get the full benefit whatever their circumstances;
- Initiatives across the UK to improve the quality of social housing have resulted in substantial investment. In England, for example, the Decent Homes Standard has halved the number of homes in social housing that provide inadequate thermal comfort;
- The Energy Efficiency Commitment has enabled a large number of low income households to benefit from a range of energy efficiency measures delivering cost effective carbon savings and reducing their costs in keeping warm;
- We introduced the Winter Fuel Payment which helped keep 11.7 million people warm in the winter of 2006/2007. If counted against fuel bills this is estimated to have removed around a further million households from fuel poverty in the UK.

A great deal has been achieved. The Government's framework provides a strong safety net for vulnerable people, and was successful in reducing fuel poverty between 1996 and 2005 by 3 million households across the UK in this vulnerable category. But we face new challenges. Rising energy prices since 2003 have inevitably had an impact, and this Report shows that 2005 was the first year in which the number of households in the UK in fuel poverty actually rose. Our estimate is that there may still be 1.2 million vulnerable households in fuel poverty in England by 2010.

Moving towards our goal of eradicating fuel poverty remains a huge challenge and shapes our ongoing policy review. All the analysis that has been carried out shows that our current programmes – delivered by the UK Government and the Devolved Administrations – are doing much to reduce fuel bills and improve the lives of hundreds of thousands of households. The measures announced in the 2007 Energy White Paper will help to further push down fuel poverty levels across the UK.

Our commitment to fuel poverty has seen investment of over £2 billion on Fuel Poverty Schemes, and £2 billion per year on Winter Fuel Payments. Local Authorities in England have also invested £5 billion on the Decent Homes Standard, and social landlords across the rest of the UK have invested huge sums to improve the standard of social housing. Energy suppliers have continued their significant activity through the Energy Efficiency Commitment 1 (EEC 1) and Energy Efficiency Commitment 2 (EEC 2) which is expected to have generated £1.6 billion in energy efficiency measures, and all suppliers now provide significant social programmes to their vulnerable customers.

The 2007 Comprehensive Spending Review (CSR) has allocated resources to continue the Warm Front Scheme in England. The combination of Warm Front funding of just over £800 million over the period and the focus on low-income and elderly customers through the priority group obligation in the Carbon Emissions Reduction Target (CERT) mean that spending on energy efficiency and other measures in low-income, elderly and disabled households is expected to rise, by £680 million to around £2.3 billion compared to the previous spending period. This Report is the first to publish the Government's proposals for the CERT priority group, which were laid before Parliament on 5th December 2007.

Fuel poverty is not something that the UK Government can tackle alone. It depends upon close cooperation with energy suppliers, local authorities, social landlords, delivery bodies, and third sector organisations. The Fuel Poverty Advisory Group (FPAG) in England published its Fifth Annual Report in April of this year, which contained a number of recommendations for the UK Government. We are grateful for FPAG's continued input and are happy to be able to respond to their recommendations later in this report. The equally valuable role played by the other advisory bodies in the UK is also covered.

Across the UK, we remain absolutely committed to tackling fuel poverty. We will need to combine the expertise of energy suppliers, voluntary groups, energy efficiency scheme managers and campaigning groups with the expertise that exists within Government in order to ensure that the steps we take are the right ones to help us reach our 2010 target in England, and beyond that, to reach our ultimate UK goal of eradicating fuel poverty across the UK as far as reasonably practicable by 2016 (England, Northern Ireland, and Scotland), and by 2018 (in Wales).

In preparing this 5th Fuel Poverty Progress Report, we are grateful for the co-operation of Ministers of the Devolved Administrations across the UK.



A handwritten signature in black ink that reads "Malcolm Wicks".

Malcolm Wicks MP
Minister of State for Energy



A handwritten signature in black ink that reads "Phil Woolas".

Phil Woolas MP
Minister of State for Climate Change & Environment

Executive Summary

In November 2001, the Government published an ambitious UK Fuel Poverty Strategy with the goal of eradicating fuel poverty. This is the fifth annual progress report on the strategy, and provides an update on the actions taken over the last twelve months across the UK. We explore progress made by those schemes, programmes and policies already in place, alongside a breakdown of the new initiatives which have been implemented over the last year. Progress and development of the schemes across the devolved nations are also considered.

This report is the first to present the fuel poverty figures for 2005, and shows the effects of rising energy prices. The UK-wide figures rose by around 0.5 million households, with around 2.5 million households in fuel poverty overall, of which 2 million of those are vulnerable. This is down from 6.5 million and 5 million in 1996 respectively, across the UK. Later in this report we set out the results of detailed modelling work to determine what the implications of recent energy price rises will be for fuel poverty targets in England.

The Government continues to take action to ensure that the energy market is working properly, and to encourage reform in the EU on energy market liberalisation – this should reduce pressure on prices. Those in fuel poverty have much to gain by switching supplier and this Report outlines the action taken by Ofgem and energywatch to encourage this.

To tackle fuel poverty the UK Government and Devolved Administrations believe that no single measure is sufficient. This report updates progress on the range of programmes and measures that have been put in place. This includes

- Programmes to improve energy efficiency
- Maintaining the downward pressure on fuel bills, ensuring fair treatment for the less well off, and supporting industry initiatives to combat fuel poverty
- Continuing action to tackle poverty and increase incomes.

Since the last Progress Report, we have published both the Energy Review in 2006 and the Energy White Paper in 2007, which contain measures to improve the way we tackle fuel poverty. These include:

- **Energy Efficiency Programmes** – Our proposals on CERT combined with continued funding for Warm Front in England for 2008-11 mean that higher levels of resources are available for the period 2008-11 than 2005-08. We aim to ensure that any eligible fuel poor household needing loft or cavity wall insulation has it installed and seek to ensure that as many vulnerable fuel poor as possible in England on the gas network, without a gas central heating system, and who are eligible, receive assistance. By doing this we can reduce fuel poverty in England by around 300,000 by 2010. We are determined to realise these reductions and take forward programmes enabling this to happen;
- **Community Energy Efficiency Fund** – We have recently provided over £6 million to 50 projects across England. These projects will promote innovation and look at a whole house approach, with the aim of providing a cost effective way of delivering EEC/CERT and Warm Front on a local basis. The projects supported are expected to reach around 600,000 households in England over the next three years;
- **Energy supplier social programmes** – Following the Government's call for increased action in the Energy White Paper, the level of help has now increased from £40 million to £56 million with around 700,000 households benefiting, taking 70,000 out of fuel poverty across the UK. A wide variety of help is currently available – from social tariffs to trust funds that assist those in debt. We will also be looking at whether there are ways to encourage best practice in protecting the most vulnerable consumers from the large differences in bills because of the payment method they use;
- **Communications** – We are continuing our larger-scale 'Keep Warm Keep Well' campaign, which is aimed at vulnerable households in England and gives information on the health benefits of keeping warm in winter, and details of the grants and benefits available. This campaign brings together cross-Government communications, in a coordinated and easily accessible approach, highlighting all the help currently available, be it energy efficiency, benefits advice, tariff advice or advice on how to stay healthy in winter;
- **Access to benefits** – A Benefit Entitlement Check is now offered to all households that come forward to Warm Front. In Scotland, every pensioner applying to the Central Heating Programme and the Warm Deal now automatically receives the option of a free face-to-face benefits check provided by the Pensions Agency in Scotland. In Wales, all applicants to the Home Energy Efficiency Scheme are also offered such a check. The Government has also maintained the Winter Fuel Payment which helped keep 11.7 million people warm in the winter of 2006/2007. If counted against fuel bills this initiative is

estimated to have removed around a further million households from fuel poverty in the UK;

- **Access to the market** – We will build on the work with Ofgem and energywatch to encourage vulnerable customers to use the energy market to get the best deal. Ofgem is working with the Citizens Advice Bureaux to help vulnerable customers to switch to a better tariff. If all customers were to switch to the best rate, this would take up to 200,000 households out of fuel poverty;
- **For customers on pre-payment meters** – Ofgem will be continuing to encourage suppliers to update technology to reduce the costs for customers. Ofgem’s research shows that nationally, pre-payment meter customers could save £250 million by switching supplier because of the wide variation in prices charged to pre-payment customers, with individual customers being able to make savings of up to £170 a year;
- **Access to the gas grid** – As part of its Gas Distribution Price Control, Ofgem has consulted on options to encourage network extensions to help tackle fuel poverty in those communities not connected to the grid. The Government considers that, at a conservative estimate, this would allow 360 communities, and 25,000 households to benefit over the next five years;
- **Local authority action** – Guidance will be issued to encourage local authorities to exceed the Decent Homes Standard in England and use the local area fuel poverty indicator as a stimulus for action;
- **Using Government data to target help** – We are working to enable use of benefit information in clearly specified and controlled circumstances, to allow help to be more easily targeted at eligible households and areas where fuel poverty is more prevalent.

Both the Energy Review in 2006 and the Energy White Paper in 2007 indicated the importance of fuel poverty and the need for engagement by all parties. This report reflects on the considerable contribution of delivery bodies, and third sector organisations, especially in reaching the most vulnerable households.

Finally, this report is accompanied by a series of internet-based annexes¹ which provide more detail on the progress made in tackling fuel poverty by both Government and industry. These include more in-depth statistics on the demographic, geographic and socioeconomic breakdowns of fuel poverty and a broader outline of the actions taken in this area by energy suppliers across the UK.

1 <http://www.berr.gov.uk/energy/fuel-poverty/strategy.html>

Chapter 1

Our Commitments

UK

- 1.1** The aim of the UK Government and the Devolved Administrations remains the eradication of fuel poverty, as detailed in the 'UK Fuel Poverty Strategy'² published in November 2001; a commitment reaffirmed through measures set out in the 2003 and 2007 Energy White Papers. Separate targets exist in England and each of the Devolved Administrations, with the overall aim being that no household in the UK should live in fuel poverty by 2018.

England

- 1.2** Our aim in England, restated in 'Fuel Poverty in England: The Government's Plan for Action'³ is, as far as reasonably practicable, to eradicate fuel poverty in vulnerable households by 2010, with a vulnerable household deemed to be one containing children, or those who are elderly, sick or disabled. Fuel poverty in other households will also be tackled as progress is made on these groups, with a target that by 22 November 2016, as far as reasonably practicable, no person in England should have to live in fuel poverty.
- 1.3** Two definitions of fuel poverty figures are used in England – the first (which is used to calculate progress towards the Strategy's targets) includes all benefits received, whilst the second excludes Housing Benefit and Income Support for Mortgage Interest, and is used in order to enable historical comparison. Figures for the number of households in fuel poverty in England are provided on both definitions within this and previous Annual Reports.

Scotland

- 1.4** The 'Scottish Fuel Poverty Statement',⁴ published in August 2002, sets out Scotland's overall objective for fuel poverty. This is to ensure that, as far as reasonably practicable, people are not living in fuel poverty in Scotland by

² <http://www.berr.gov.uk/energy/fuel-poverty/index.html>

³ <http://www.defra.gov.uk/environment/climatechange/uk/household/fuelpoverty/index.htm>

⁴ <http://www.scotland.gov.uk/Publications/2002/08/15258/9951>

November 2016. A review of progress over the four year's since publication of the statement was published in November 2006⁵. To date, Scotland's fuel poverty programmes have assisted over 344,000 households.

Wales

- 1.5** As set out in the 'Fuel Poverty Commitment for Wales,'⁶ the Welsh Assembly Government's target is that as far as reasonably practicable, no vulnerable household in Wales should be living in fuel poverty by 2010 and no household should be living in fuel poverty by 2018.
- 1.6** By 2006 the Welsh Assembly Government had already helped 74,000 households with grants under its Home Energy Efficiency Scheme (HEES), and has set a target to help a further 30,000 households by 2010, to bring the total helped under HEES to 104,000 households by 2010.

Northern Ireland

- 1.7** 'Ending Fuel Poverty: A Strategy for Northern Ireland'⁷ sets out the aim, subject to necessary resources, to eliminate fuel poverty in vulnerable households by 2010, and in non-vulnerable households by 2016.
- 1.8** The interim targets for Northern Ireland were to have assisted at least 40,000 households in fuel poverty by 2006 and reduce the number of vulnerable fuel poor by 71,000 households in 2006.

5 <http://www.scotland.gov.uk/Publications/2006/11/fuel-poverty-progress>

6 <http://new.wales.gov.uk/topics/housingandcommunity/housing/publications/fuelpovcommit?lang=en>

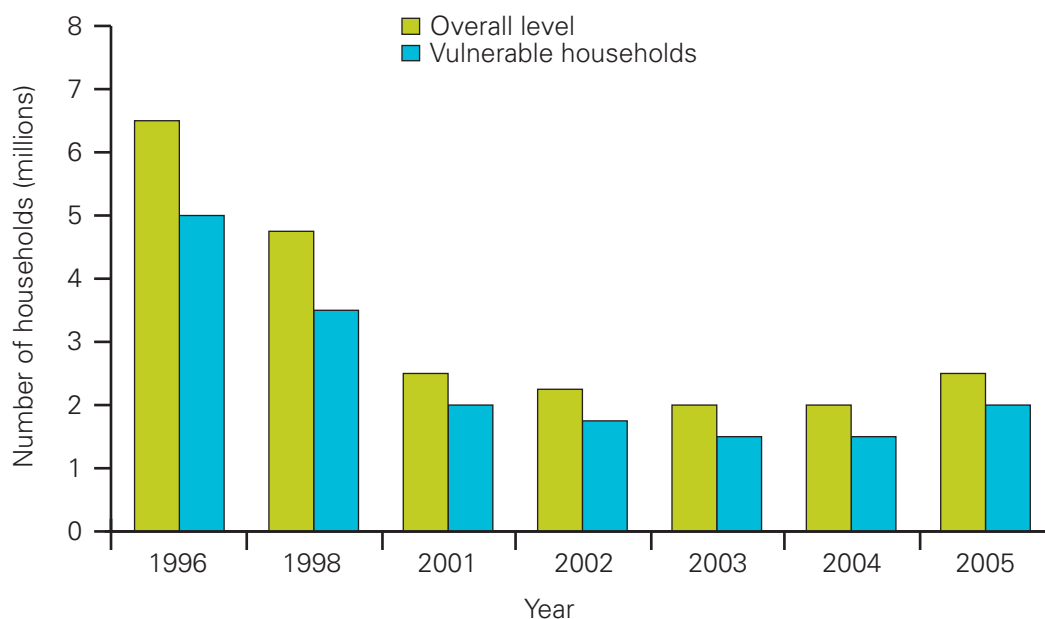
7 http://www.dsdni.gov.uk/ending_fuel_poverty_-_a_strategy_for_ni.pdf

Chapter 2

Progress to Date

2.1 Fuel poverty levels in 2005 were significantly below 1996 levels, with the total number of households in fuel poverty in 2005 being 4 million lower than 1996 and the number of vulnerable households being 3 million lower. Tracking fuel poverty on a UK-wide basis remains a complex issue, as figures are estimated on a country-by-country basis to different timescales and slightly different definitions. Nonetheless, the latest estimates indicate that in 2005, there were approximately 2.5 million households in fuel poverty in the UK; of which 2 million were vulnerable households. However, this is an increase of 0.5 million since 2004, reflecting the impact of rising energy prices on fuel poverty levels.

Number of households in fuel poverty in the UK, 1996 – 2005



Progress in England

2.2 Figures are available for England for 2005. Based on the results of the 2005 English House Condition Survey, the overall number of households in fuel poverty in England in 2005 was 1.5 million (around 7% of all households), and the number of vulnerable households was 1.2 million.⁸ For the reduction in overall fuel poverty between 1996 and 2005, with all changes in methodology excluded, nearly three quarters was due to increased incomes, around a fifth was due to energy efficiency measures, with the remainder due to energy price reductions. This shows the importance of wider measures to tackle poverty and the action taken towards the Government's strategy for reducing fuel poverty. It is also a sign that initiatives such as Warm Front are having a significant impact in taking households out of fuel poverty.

Number of households in fuel poverty in England, 1996 – 2005

(Bracketed figures are based on levels using the basic income definition)

	1996	1998	2001	2002	2003	2004	2005
Total fuel poor	5.1 (5.5)	3.4 (4.0)	1.7 (2.3)	1.4 (2.0)	1.2 (1.5)	1.2 (1.4)	1.5 (1.8)
Vulnerable	4.0 (4.3)	2.8 (3.2)	1.4 (1.9)	1.2 (1.6)	1.0 (1.2)	1.0 (1.1)	1.2 (1.4)
Non-vulnerable	1.1 (1.2)	0.6 (0.8)	0.2 (0.4)	0.2 (0.4)	0.2 (0.3)	0.3 (0.3)	0.3 (0.4)
Social housing	Not available	Not available	Not available	0.3 (0.7)	0.2 (0.5)	0.2 (0.5)	0.2 (0.6)
Private housing	Not available	Not available	Not available	1.1 (1.3)	1.0 (1.0)	1.0 (0.9)	1.3 (1.2)

2.3 Further work has been carried out over the last year to improve the methodology used to calculate these statistics. These changes will have a small effect on the overall statistics, and are set out in the methodology annex.

⁸ The average SAP (Standard Assessment Procedure 2005) rating for households in England was 48 in 2005. This is not comparable with the SAP rating of households in 2004 as a new methodology was introduced in 2005. The new SAP rates households on a scale of 1 to 100, prior to 2005 the rating had been on a scale of 1 to 120.

Estimated number of households in fuel poverty in England if winter fuel payments were deducted from fuel bills, 1996 – 2005

(Full income definition only. Numbers in brackets are the fuel poverty figures using the official statistical methodology)

	1996	1998	2001	2002	2003	2004	2005
Total fuel poor	5.1 (5.1)	3.4 (3.4)	1.2 (1.7)	Not available	0.8 (1.2)	0.8 (1.2)	1.0 (1.5)
Vulnerable	4.0 (4.0)	2.8 (2.8)	0.9 (1.4)	Not available	0.6 (1.0)	0.6 (1.0)	0.7 (1.2)

- 2.4** For the purposes of the Government’s fuel poverty statistics, and consistent with other statistics, Winter Fuel Payments are classified as an addition to recipients’ incomes. They make an important contribution to tackling fuel poverty, and are responsible for taking around 100,000 households out of fuel poverty in England in 2005 (and around 200,000 households in the UK as a whole).
- 2.5** However, whilst it remains appropriate to consider Winter Fuel Payments in this way for statistical purposes, to gain a full picture of the impact of Winter Fuel Payments on the situation of fuel poor households, it is also useful to consider what effect they would have if used to meet energy bills directly. Under this approach, around 500,000 fewer households in England (and around 1 million households in the UK as a whole) are shown to need to spend more than 10% of their income in order to meet the remaining costs of heating their home appropriately.

Progress in Scotland

- 2.6** The Scottish House Condition Survey shows that the number of households in fuel poverty in 2002 was 293,000 (13.4 % of all households) compared to 756,000 (35.6 %) households in 1996. The “Fuel Poverty in Scotland Report” was published in April 2004. It provides a detailed analysis of the information available on fuel poverty using the 2002 Scottish House Condition Survey data. The report uses the definition of fuel poverty set out in the Scottish Fuel Poverty Statement 2002, except where otherwise stated. This definition is similar to that used in England in some respects but not others. The main difference in the Scottish definition is the most stringent interpretation of a satisfactory heating regime for pensioners, long-term sick and disabled households.

2.7 The report concludes that half of the reduction in fuel poverty since 1996 could be attributed to increases in household incomes; 35% was due to decreasing fuel prices and 15% to improvements in the energy efficiency of the home. This progress was halted between 2002 and 2004-05, when the number of fuel poor is estimated to have risen to 419,000 in all probability as a result of rising energy prices. It should be noted that the figures for 1996 and 2002 are revisions of previously published estimates due to a change in the methodology for the treatment of missing values. Estimates of fuel poverty in Scotland in 2005-06 will be published shortly.

	No of fuel poor households (>10% of income on fuel)	Rate per 100 households	No of extreme fuel poor (>20% of income on fuel)	Rate per 100 households
	000s		000s	
1996	756	36	182	8
2002	293	13	71	3
2003-4	350	15	112	5
2004-5	419	18	119	5

Source: Scottish House Condition Survey, Scottish Government

2.8 In 2007 Scottish Ministers published a comprehensive evaluation of the impact of the Central Heating Programme upon the health of households.⁹ This builds upon the work commissioned by Scottish Ministers about the impact of the Central Heating Programme in tackling fuel poverty in the period 2001-2004.¹⁰

Progress in Wales

2.9 The Living in Wales survey, which used a comparable methodology to England, estimated that there were 130,000 households in Wales in fuel poverty in 2004 (11% of total households) compared to 360,000 in 1998 (31% of total households, derived from analysis of the Welsh Condition survey 1998).

⁹ <http://www.scotland.gov.uk/Publications/2007/02/15132708/0>

¹⁰ <http://www.scotland.gov.uk/publications/2007/03/23133305/0>

- 2.10** The survey attributes the decrease to a combination of rising incomes, decreasing fuel prices and improvements in energy efficiency over this time. Between 1998 and 2004, average electricity prices decreased by 18% and gas by 7% in real terms, whilst earnings income increased by 22%.
- 2.11** The survey concludes that the targeting of grants and advice to vulnerable households appears to have been effective, with a much larger proportion of vulnerable households being removed from fuel poverty (down from 38% in 1998 to 12.1% in 2004).
- 2.12** The greatest improvement has been seen in the social housing stock, with a decrease in the percentage of households in fuel poverty of 42%, followed by the private rented sector with a decrease of nearly 30%, and the owner occupied sector at 13%.
- 2.13** Modelling to produce projections from the 2004 data for the number of households in fuel poverty in Wales in 2005 and 2006 has also been carried out. This modelling estimates that there were 166,000 households in fuel poverty in Wales in 2005 and 243,000 in 2006. This takes into account gas prices increases by 14.6% from 2004-2005 and 18.8% from 2005-2006, with electricity prices rising by 7% and 16.3% respectively during those years.

Progress in Northern Ireland

- 2.14** Northern Ireland's Interim House Condition Survey¹¹ revealed that households headed by older people are much more likely to be living in fuel poverty, with 54% of fuel poor people over 60. The survey figures also showed that 43% of fuel poor households have an income of less than £7,000 and that growing numbers of fuel poor are in employment, with 28% of employed households experiencing fuel poverty. The Department of Social Development (DSD) has since commenced a project to conduct research into the issue of low income workers in fuel poverty.
- 2.15** In 2001, it was identified that 181,000 vulnerable households in Northern Ireland were in fuel poverty but by 2004, this was down 55,000 to 126,000.
- 2.16** In terms of progress towards Northern Ireland's interim target to have assisted at least 40,000 households in fuel poverty by 2006, almost 49,000 fuel poor households were assisted under the Warm Homes Scheme by 2006.

11 http://www.dsdni.gov.uk/index/hsdiv-housing/fuel_poverty.htm

Chapter 3

Actions to Tackle Fuel Poverty: Schemes and Initiatives

National Programmes

- 3.1** Improving the energy efficiency of homes through better insulation and heating can help many households move away from fuel poverty. The Government and Devolved Administrations have a series of programmes to tackle poor energy efficiency in both the social and private sector. This chapter details the progress of these schemes.

Warm Front (England)

- 3.2** Warm Front has continued to be a key tool in tackling fuel poverty in the private sector in England. Since the Scheme's inception in June 2000 to the end of October 2007, some 1.6 million households received assistance. The benefit of an additional £300 million, pledged by the Chancellor in the 2005 Pre Budget Report, bringing the total budget for Warm Front in the 2005-08 period to over £800 million, has already been felt by a significant number of households across England.
- 3.3** Over 250,000 households were assisted by Warm Front during 2006/07. Alongside this major increase in activity levels, the Scheme has also improved timelines for both surveys and installations. On average:
- Surveys were completed 9.7 days after client application (against a target of 21 days);
 - Heating installations were completed 81.7 days after survey (against a target of 120 days);
 - Insulation installations were completed 33.2 days after survey (against a target of 40 days).
- 3.4** All of these are well within their target times and show an improvement on previous years. To give an indication of the range of measures installed, during 2006/07, cavity wall insulation was provided to almost 36,000 households, loft insulation to over 60,000 households, new gas central heating to over 24,000 households and replacement boilers in nearly 54,000

households. Full details are available in the Warm Front Scheme Annual Report¹².

- 3.5** With the significant step up in activity, customer service has remained of paramount importance. When asked, 92% of Warm Front customers stated they would recommend the Scheme to a friend. A significant amount of work and effort has been invested in making improvements to all aspects of customer facing services within the Scheme, with levels of complaints remaining low.
- 3.6** Warm Front has also looked to widen the support it can offer by considering alternative (often low carbon) technologies for inclusion within the Scheme. Further pilot schemes are now being instigated to test other technology for Warm Front suitability, including solar thermal and air source heat pumps.
- 3.7** Following publication of the Energy White Paper in May 2007, Benefit Entitlement Checks have now been extended to all households that need one, who come forward to the Scheme.
- 3.8** In 2006/07, 22,761 Benefit Entitlement Checks were carried out under the Warm Front Scheme and of these, 39% were subsequently found eligible for Warm Front. The average increase in income was thus increased weekly by £26.51 and annually by £1,378 per client.

Headline Impacts

- 3.9** In total, 253,079 households in England received assistance from April 2006 to March 2007, key impacts being:
- An average household SAP⁸ improvement of 16 points, from 40 to 56;
 - A reduction in CO₂ emissions in the average household from 6.97 tonnes per year to 6.16 tonnes per year, equalling total annual savings of 0.81 tonnes of CO₂ per year for those homes improved, each and every year for the next 20 years;
 - Potential to save, on average, over £190 for each household assisted in energy running costs every year.

¹² <http://www.warmfront.co.uk/files/warm-front-report-07.pdf>

The Fuel Poverty Indicator (FPI) in England

3.10 BERR, with the Department of Health, Ofgem, the Energy Retail Association and the Eaga Charitable Trust, funded work by the Centre for Sustainable Energy and Bristol University on the development of a local area fuel poverty indicator¹³ based on the English House Condition Survey and the 2001 Census for use in targeting fuel poverty assistance. This work was launched in May 2007. The FPI is proving effective in predicting the level of fuel poverty at all Lower Super Output Areas (geographical units used in the 2001 Census)¹⁴ in England.

The Central Heating Programme and Warm Deal (Scotland)

3.11 The Central Heating Programme and the Warm Deal in Scotland are the responsibility of Scottish Ministers. From the launch of the Scheme in 2001 to July 2007, the Central Heating Programme in Scotland has installed central heating systems in over 87,000 homes. All tenants in social housing without central heating, regardless of age or other circumstances, have been offered free central heating, and many have taken advantage of associated insulation measures. Along with the installation of heating systems, the Central Heating Programme provides insulation measures, cavity wall insulation, loft, tank and pipe insulation, and energy efficiency advice, and is delivering significant fuel savings for the households that form part of the programme.

3.12 In May 2004, the Central Heating Programme was extended to replace or upgrade partial or inefficient heating systems for people aged 80 or over in the private sector. This part of the Programme was extended again in January 2007 to provide upgrades to partial or inefficient systems for those on the guarantee element of Pension Credit, giving priority initially to those over 75.

3.13 The Warm Deal Programme has so far insulated over 254,000 homes. This combined with the Central Heating Programme means that over 15% of Scotland's housing stock has now been insulated through the Scottish Government's fuel poverty programmes. Over 2005/06 the Warm Deal achieved a predicted reduction in average annual fuel bills ranging from £111 for tenants of private landlords to £21 for tenants of housing associations. From January 2007, eligibility for the Warm Deal was extended to include households with disabled children. All pensioners applying to either programme are offered a Benefits Entitlement Check at the point of

¹³ www.fuelpovertyindicator.org.uk

¹⁴ For more information see www.statistics.gov.uk/geography/soa.asp

application delivered by the Pension Service to ensure all eligible applicants are included and to maximise incomes.

The Home Energy Efficiency Scheme (Wales)

- 3.14** The Home Energy Efficiency Scheme (HEES) is the Welsh Assembly Government's main vehicle for lifting Welsh households out of fuel poverty. The Welsh Assembly Government has made an extra £5 million available to pensioners through the Home Energy Efficiency Scheme in both 2006/07 and 2007/08. The budget for the HEES will be nearly £20 million for 2007/08.
- 3.15** During 2006/07 a number of changes were made to HEES, including the introduction of oil central heating for HEES+ clients, and increased grant levels for HEES and HEES+ to £2,000 and £3,600 respectively. HEES+ provides insulation and central heating measures to householders on benefits – pensioners, lone parent families and people with disabilities. HEES provides heating and insulation measures to families on low incomes. A grant maxima of £5,000 applies to oil central heating systems. In addition the partial grant available to over 60s who own their own home was increased to £500. Householders aged 80 and over are now able to apply to the Scheme without the need for any qualifying benefit.
- 3.16** The Home Energy Efficiency Scheme offers a Benefit Entitlement Check to all applicants. It continues to be an important element in helping people to stay out of fuel poverty, and maximise household income. Between August 2004 and January 2007, over 6,800 checks were completed with 2,517 households being identified as eligible for benefits. In total, an equivalent annual increase of some £3.4 million in additional benefits was identified.

Warm Homes Scheme (Northern Ireland)

- 3.17** The Warm Homes and the Warm Homes Plus Schemes continue to be the main programme for tackling fuel poverty in Northern Ireland, through the provision of energy efficiency measures to owner-occupied and private sector homes.
- 3.18** Resources of £9.2 million, over two years, were made available through the Environment and Renewable Energy Fund to the scheme, which increased the available budget to over £20 million in the 2006/07 and 2007/08 financial years. This will enable an increase in number of households benefiting from the provision of energy efficient measures from 8,250 last year to 10,000 this year. This funding also assisted with the introduction of an aftercare package

that will enable a service of the boiler one year after installation and extend the warranty of the system to two years.

- 3.19** In addition, the eligibility criteria for Warm Homes Plus was extended to ensure that the over 60s, in receipt of disability related benefits, will now receive full heating systems as well as insulation measures. A benefit maximisation programme was introduced in July 2006 to provide a Benefit Entitlement Check to all recipients of the scheme.
- 3.20** Throughout 2006/07, almost £120 million was directed towards schemes and programmes that directly contribute to the eradication of fuel poverty throughout Northern Ireland.

Energy Efficiency Commitment

- 3.21** Across Great Britain, under the Energy Efficiency Commitment (EEC), electricity and gas suppliers are required to meet targets for the promotion of improvements in household energy efficiency. In both the first phase of EEC (EEC1), 2002-05, and the current phase (EEC2), 2005-08, suppliers were required to focus at least 50% of energy savings on a Priority Group of low income consumers. Households in this group are those in receipt of income or disability based benefits or tax/pension credit, similar to the eligibility criteria for the Warm Front Scheme.
- 3.22** EEC1 will deliver savings of 0.3 MtC (million tonnes of carbon) a year in 2010 and generated about £600 million investment in energy efficiency. EEC2 is expected to deliver savings of around 0.5 MtC in 2010 and is expected to generate about £1.2 billion investment in energy efficiency.
- 3.23** The consultation proposals on the third phase of EEC 2008-11, now known as the Carbon Emissions Reduction Target (CERT), were published in May 2007. Following the consultation, consideration of the responses and further analysis, the Government's proposals for the CERT were laid before Parliament on 5th December 2007. The draft Electricity and Gas (Carbon Emissions Reduction) Order 2008 is subject to debate and approval by both Houses of Parliament.
- 3.24** The Government proposed to double the level of activity of EEC2 to deliver overall savings of 154 million lifetime tonnes of carbon dioxide (154MtCO₂). Also, that energy suppliers should be required to direct at least 40% of carbon savings to a Priority Group of those in receipt of income/disability based benefits or tax/pension credit or those who are aged 70 or over.

- 3.25** It was also proposed that suppliers should be able to achieve a proportion (no more than 12.5%) of their CERT Priority Group obligation by directing specified measures to low-income consumers in the private sector. Within this group, ground source heat pumps could be promoted to households off the gas grid and solid wall insulation to all households. Under this flexibility option, measures more likely than other carbon saving measures to remove households from fuel poverty will be directed to those more likely to be in fuel poverty.
- 3.26** As a result of the focus, through the Priority Group, on low-income consumers, EEC and CERT are expected to make a contribution to the eradication of fuel poverty. It is not possible to quantify precisely the effect on fuel poverty since EEC and CERT are primarily carbon abatement programmes. Monitoring of EEC and CERT is respectively on the basis of energy and carbon savings from measures installed, rather than the number of households receiving measures.
- 3.27** Nevertheless, evaluation of the effect of key EEC and CERT measures on fuel poor households concluded that through these energy efficiency measures alone, energy supplier activity from 2002-2011 has the potential to remove over 100,000 households from fuel poverty in GB.

Local Delivery

Area Based Funding

- 3.28** The Chancellor announced in his Pre-Budget Report 2006 that £7.5 million would be made available across the UK in 2007/08 to improve the effectiveness of fuel poverty programmes and EEC. The aim is to use an area based approach to provide a coordinated set of advice and measures to 300,000 of the most vulnerable pensioner and other vulnerable households.
- 3.29** Taking this forward in England, the 'Community Energy Efficiency Fund' (CEEF) was launched in June 2007 with applicants invited to apply for support via a competitive process for the allocation of the £6.3 million funding available in England. The bidding process invited projects to identify a cost effective way of delivering EEC and Warm Front on a local basis. A further key element of the evaluation of projects is their role in improving the experience of individual households, including the able-to-pay sector, in receiving a holistic package of support and promoting innovation in terms of delivery, advice and measures provided. This provides a key delivery channel

for delivering a whole house approach and ensuring the most effective and sustainable outcomes are achieved from this funding.

- 3.30** In September 2007, fifty projects were offered funding from the CEEF. Those offered funding include a range of new and established projects, each bringing together key players at the local level. Details of the projects are available at:
www.defra.gov.uk/environment/climatechange/uk/household/fuelpoverty/pdf/ceef-project-list.pdf
- 3.31** During the past year, Warm Zones Ltd has continued to develop the area-based approach to the identification of fuel poverty and the co-ordinated delivery of energy efficiency improvements and related services to deliver affordable warmth. Three new Zones have been launched in Stoke, Kirklees and West London, with Warm Zones now active across 26 local authorities, covering more than 1 million homes. To date, Warm Zones have assessed more than 500,000 homes and delivered over £50 million of major energy efficiency improvements to more than 93,000 homes. In addition, the income maximisation service provided by the Zones has secured in excess of £4.4 million of additional welfare benefits increasing the weekly income of successful claimants by an average of £29 or £1,500 per annum.
- 3.32** In Scotland, Ministers in the period to 2005 supported area-based initiatives such as the Dundee Community Energy Partnership in collaboration with the local authority and a variety of other agencies. Eligibility for the benefits available from the Central Heating Programme was extended in order to accelerate the provision of central heating systems to those homes without effective heating systems across the whole of Scotland. In addition, Scottish Ministers have taken action to ensure that both national fuel poverty measures now work closely to maximise the benefits available from EEC, for example, sponsoring activity in support of this initiative by the Energy Saving Trust.

Other measures to improve the quality of housing

- 3.33** Since the last UK Fuel Poverty Strategy Annual Report, the UK Government has continued to make progress towards the Decent Homes target that applies in England. The standard requires the presence of efficient heating and effective insulation in homes. The Department of Communities and Local Government expects 95% of all social housing in England to meet this standard by 2010, and for social landlords to agree specific deadlines for the remaining 5%.

- 3.34** The Government aims to have 70% of vulnerable households in decent homes by 2010. Figures from the English House Condition Survey for 2005 show that the number of social sector non-decent homes has fallen by 29% since 2001. Between 2001 and 2006, over 700,000 local authority dwellings have received work to improve their central heating, and over 600,000 local authority dwellings have received work to improve their insulation under the Decent Homes programme or as part of wider local authority work to update the stock. In the private sector, the proportion of vulnerable households (those in receipt of means tested or disability related benefits) living in decent homes has increased by over 8% to 66%.
- 3.35** The Decent Homes Standard is a minimum standard below which homes should not fall in England. It is a trigger for action and not a level that remedial work should be completed to. Indeed the majority of local authorities and registered social landlords are carrying out work well in excess of the thermal comfort standard, with 90% planning to install both cavity wall insulation and loft insulation even where the standard only requires one. In fact, progress is being made on thermal comfort at a faster rate than the other components of the Decent Homes Standard, and the number of social sector homes in England failing on that criterion has more than halved since 1996 – from nearly 2 million down to 850,000.
- 3.36** The average SAP score for social housing in 2005 in England was 57 compared to 47 in 1996 (SAP 2005 methodology).¹⁵ In the social sector the number of dwellings with a SAP of 30 or less has been substantially reduced since 1996, from over 14% of the stock to only 4% in 2005 (SAP 2005 methodology). The work that social landlords in particular have carried out has contributed to reductions in fuel poverty. In future, Ministers intend to issue guidance to encourage Local Authorities to exceed the Decent Homes Standard and use the local area fuel poverty indicator as a stimulus for action.
- 3.37** In Scotland, Scottish Ministers established the Scottish Housing Quality Standard (SHQS) in February 2004. It is the principal yardstick for measuring housing quality in Scotland. The SHQS includes five criteria which a house must fulfil before it passes SHQS. Among these criteria is that the property must be energy efficient i.e. have effective insulation (cavity wall, tank, pipe and loft) and a full, efficient central heating system. The objective that all social housing in Scotland should meet the SHQS by 2015 was also set in 2004. Progress on SHQS has so far been steady with overall failure rates in the social rented stock falling from 77% in 2002 to 63% in 2004-5. On the energy efficiency criteria in particular, the failure rate of the social rented stock fell from 69% to 51% over the same period. Further investment in local authority and housing association stock should bring with it further progress in terms of passing SHQS.

¹⁵ The average SAP (Standard Assessment Procedure 2005) rating for households in England was 48 in 2005. This is not comparable with the SAP rating of households in 2004 as a new methodology was introduced in 2005. The new SAP rates households on a scale of 1 to 100, prior to 2005 the rating had been on a scale of 1 to 120.

3.38 National Home Energy Rating (NHER) is the most commonly used energy efficiency rating for dwellings in Scotland because it allows for regional climatic variations which are more extreme in Scotland than elsewhere. Across the whole Scottish housing stock, NHER ratings have been improving steadily since 2002 and carbon emissions from households in Scotland have been steadily reducing. Over two-fifths of the housing stock in Scotland are now rated as “good”, and only one in twenty are “poor”. In the social sector, standards are higher with over three-fifths of all social housing achieving a “good” rating in 2004/5. Scottish Ministers have recently established an International Expert Panel to provide advice on a Low Carbon Building Standards Strategy for Scotland. One aim of that strategy is to move construction of new buildings, including housing, towards the rigorous energy performance levels imposed in Scandinavia. This will allow householders to reduce their energy use and carbon dioxide emissions, as well as lower their fuel bills.

Proportion of Scottish housing stock in each NHER banding

	Poor	Moderate	Good	Total
All tenures				
2002	8%	60%	31%	100%
2003-4	6%	54%	40%	100%
2004-5	5%	51%	44%	100%
Social housing				
2002	6%	51%	43%	100%
2003-4	2%	43%	56%	100%
2004-5	2%	35%	63%	100%

Community Energy Solutions and the Design and Demonstration Unit

3.39 The UK Government with support from National Grid has carried out a number of pilots in England that have involved designing, developing and delivering projects in deprived communities outside the mains gas network.

These have principally involved the provision of gas connections where they are economically viable. This work has underlined the importance and suitability of the whole community/whole house approach, under which communities are tackled as a whole, rather than as individual households. It has also substantially informed Ofgem's proposals, as part of the Gas Distribution Price Control, to encourage gas distribution network companies, and network operators to provide gas connections to deprived communities.

- 3.40** This work has now been expanded with the development of a model through which mains gas and renewable projects can be delivered to communities on a regional basis. A community interest company, Community Energy Solutions (CES), has been established to undertake two programmes, one in the North-East and one in Yorkshire and Humberside, which have been given funding from central government and the local Regional Development Agencies.
- 3.41** Using initial funding of £4 million plus private and public sector contributions, by 2009, CES will assist a minimum of 4,000 households in forty communities through gas network extensions and the installation of renewables technologies, particularly air-source and ground-source heat-pumps, on an economically viable basis. As well as bringing fuel poverty, energy efficiency, regeneration and public health benefits, the programmes will provide local economic benefits by, for example, developing economically viable supply chains for renewables and generating training and employment opportunities.
- 3.42** In September 2007, Domestic Energy Solutions, a subsidiary of CES, received support under Defra's Community Energy Efficiency Fund (CEEF) programme for a project to target 330,000 homes in deprived communities throughout North-East England. This project is expected to give benefits and energy efficiency assessments to 180,000 homes and provide measures to 130,000 vulnerable households. The communities will complement those assisted under past, current and planned Warm Zones in the North-East. The project will dovetail with, and inform, the community activities being undertaken by CES.

Scotland

- 3.43** In Scotland, Scottish Ministers are spending £1 million over the period 2006-08 to pilot the introduction of renewable technologies in low income households off the gas grid with no or very inefficient heating systems, in order to evaluate the costs and benefits of including these technologies in programmes. Technologies included in the pilot are ground and air source heat pumps, biomass boilers, wind turbines and solar panels.

- 3.44** Fuel poverty programmes in Scotland are contributing to a reduction in carbon emissions. For example, in general across 2004/05 the programmes are estimated to have saved as much as 69,000 tonnes of CO₂ in the domestic sector.

Stakeholder Action

- 3.45** Stakeholders have taken action on a variety of matters, some of which are common across the UK and some of which are focused in the devolved areas. This section sets out some of the significant initiatives.

Energy Company Schemes and Initiatives

- 3.46** Figures from the Energy Retail Association (ERA) indicate that energy suppliers have spent over £2 billion between 2002-2005 on tackling fuel poverty, including through their EEC Priority Group measures. The BERR Company Schemes Questionnaire indicated that around £140 million was spent over and above statutory programmes
- 3.47** The Home Heat Helpline was launched in October 2005 under the auspices of the ERA, with the support of all the six major energy supply companies in the UK. The Helpline has so far helped more than 55,000, directing callers to the range of assistance available, from grants for heating systems and energy efficiency measures, to making sure they are on the most appropriate energy tariff with their supplier, to checks to make sure individuals are taking up all benefits to which they are entitled.
- 3.48** Following the Energy Review (July 2006) the six main energy suppliers in the UK jointly funded a mailing to 100,000 households in receipt of Pension Credit. The mailing, undertaken during November 2006, offered free energy efficiency measures for the home, advice on the best tariff and a comprehensive check on entitlement to payment of benefits.
- 3.49** Over 6,000 pensioners responded to the mailing, which was led by Ofgem and run in partnership with BERR, energy suppliers and the Department of Work and Pensions. By the end of January 2007, energy efficiency measures had been identified for over 1000 pensioners, 454 had been moved to a better tariff by their supplier and 125 pensioners had become entitled to additional benefits. The exercise helped to show the value of a targeted and holistic approach to the challenge of alleviating fuel poverty. Government and the energy industry are looking to see what lessons can be learnt and how this approach can be developed further.

Ofgem

- 3.50** Ofgem’s Social Action Strategy was launched in October 2005. It sets out how Ofgem will seek to meet its social obligations and help the UK Government and Devolved Administrations to tackle fuel poverty.
- 3.51** The Strategy identifies four key areas of work for Ofgem:
- Securing compliance with regulatory obligations and effective monitoring and reporting by energy suppliers
 - Encouraging best practice among energy suppliers, using research to identify effective ways to address fuel poverty and help vulnerable customers
 - Influencing the debate about measures to help tackle fuel poverty, working with other stakeholders, helping to promote a joined up and holistic approach
 - Informing consumers about ways to lower their energy bills
- 3.52** Annual updates to the Strategy are published by Ofgem, reporting on its activities in the past year and setting out its work programme for the coming year. The last update was published in June 2007¹⁶.
- 3.53** Ofgem continues to encourage suppliers to take a proactive approach to helping their vulnerable customers, in particular by developing a range of voluntary social initiatives such as discount tariffs and Trust Funds. In 2006, Ofgem commissioned independent research to assess consumer awareness of the help offered by suppliers¹⁷. This highlighted that two thirds of respondents were not aware of any assistance offered by suppliers.
- 3.54** Recognising that it can be difficult to understand what help is available, in August 2007 Ofgem published a review of supplier’s voluntary initiatives to help vulnerable customers. The purpose of this review was to shine a light on suppliers’ voluntary measures, to share and recognise good practice and to help inform consumers and their advisors of the range of help available. This report, and its subsequent update in October 2007, was used to help inform UK Government policy relating to energy supplier’s vulnerable customer contributions.

¹⁶ <http://www.ofgem.gov.uk/Sustainability/SocAction/Documents/1/15474-sapstrategbro06.pdf>

¹⁷ Consumer awareness of suppliers’ CSR initiatives: research by Mori for Ofgem. March 2007. <http://www.ofgem.gov.uk/Sustainability/SocAction/Suppliers/Pages/Suppliers.aspx>

- 3.55** Ofgem works to ensure that vulnerable customers are able to access the benefits of competition, in terms of price, quality and service, identifying barriers and removing them. In June 2007, as part of its Domestic Market Review, Ofgem published a review of how well the competitive market was working for pre-payment meter customers.¹⁸
- 3.56** Further on pre-payment meter customers, Ofgem:
- took action to ensure that suppliers treat their token pre-payment meter customers fairly, with a focus on prompt recalibration and debt write-off where customers face genuine hardship¹⁹; and
 - introduced new Regulations which allow suppliers to recover gas charges through electricity pre-payment meters, helping customers to access cheaper energy deals
- 3.57** Through its Social Action Strategy Review Group, Ofgem led the preparation of the trial Winter Initiative in 2006-07 to deliver a comprehensive package of help to 100,000 low income pensioner households who were identified using DWP contact data, as described earlier. The package of help offered included energy efficiency advice and measures, benefits entitlement checks, account review and the ability to switch supplier. The trial demonstrated the value of a joined up approach across government and the benefits from data sharing which can be developed further in the future.
- 3.58** Access to affordable energy is a key factor in tackling fuel poverty. Through the current Gas Distribution Price Control Review, Ofgem has been developing proposals to facilitate extension of the gas network to low income non-gas communities located close to existing networks. Combined with Government measures to deliver central heating systems and energy efficiency measures, this could deliver significant cost savings to those customers and demonstrates the holistic approach which is being taken to tackling these issues.
- 3.59** Action on energy efficiency is also key to progress in this area. As well as continuing to administer the Energy Efficiency Commitment (EEC), Ofgem has worked with Government on the development of the third phase of the programme, now known as CERT, which will operate from 2008-11.

¹⁸ <http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Documents1/Prepayment%20meter%20Customer%20Workshop.pdf>

¹⁹ http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Documents1/16521-218_06.pdf

energywatch

- 3.60** energywatch undertook a consultation exercise which examined the nature of social tariffs in the energy market. The objective of this exercise was to acknowledge concerns around the diverse range of existing products and to open up the debate on how meaningful social tariffs could be defined, developed and delivered.
- 3.61** The consultation document sought views on the form these products should take, the options for determining eligibility and targeting the product, as well as how such an offering could best be funded. This was followed by a comprehensive report which took account of the views submitted to the consultation exercise and demonstrated how social tariffs could make an effective contribution to tackling fuel poverty as part of a holistic Energy Assistance Package. The report's recommendations included:
- That the Government require suppliers to offer social tariffs as an integral part of an Energy Assistance Package;
 - That the social tariff should be lower than any other tariff that a supplier offers and that this should apply regardless of payment method;
 - In order to avoid market distortion, suppliers be set targets on the number of social tariff accounts to provide, proportional to their market share.

Published in May 2007, the document, entitled 'A Social Responsibility?' is available on the energywatch website²⁰.

- 3.62** energywatch has also been campaigning with Citizens Advice to end the practice of back charging consumers with token pre-payment meters by certain suppliers. Working closely with MPs in England, MSPs in Scotland and AMs in Wales, energywatch has been raising awareness of the financial difficulty this can cause. Significant numbers of token meter users remain at risk of falling into debt from back charging, a problem which can occur when suppliers fail to manually reset a household's token meter quickly enough following a price rise.
- 3.63** As a result of the work by energywatch and Citizens Advice, a major supplier decided to follow industry best practice and stop back charging and Ofgem issued guidance to those suppliers who still back charge, encouraging them to have more sympathetic policies for consumers in debt.
- 3.64** After receiving feedback from many older consumers about their fear and confusion in relation to switching supplier, energywatch's Priority Consumer

²⁰ <http://www.energywatch.org.uk>

Team realised the need to provide a much more bespoke switching service to encourage older people to participate in the energy market. At the end of November 2006, they launched the 'Are You Missing Out?' campaign. This provides older people and their families with a direct number to call and speak to a member of the Priority Consumer Team, who take their details and provide comparisons from several suppliers on the best deal based on individual needs. In the period between the end of November 2006 and the end of March 2007, the Priority Consumer Team had processed approximately 1,400 referrals. The campaign's main aim is to ensure that the information provided is accurate, easy for older people to understand and provides all the information they need to take the next step to switch supplier.

National Energy Action (NEA)

3.65 NEA continues to assist Government in the achievement of its fuel poverty objectives. The charity's activities during the year have concentrated on:

- Identifying ways to provide affordable warmth to so-called hard-to-treat properties
- Improving the effectiveness and targeting of Warm Front and other energy efficiency programmes
- Engaging Government across all parts of the UK to encourage them to address fuel poverty
- Finding ways to address the impact of rising domestic energy prices in low-income and other vulnerable households
- Exploring the synergies between the social and environmental impacts on energy efficiency.

3.66 Examples of the work include:

Affordable Warmth and Sustainable Energy – NEA has undertaken a number of trials of alternative technologies including biomass heating, solar thermal water heating and heat pumps to identify their potential to provide affordable warmth in non-traditional construction properties, those off the mains gas network and other hard-to-treat properties.

Regional Housing Boards – Promoting Affordable Warmth – NEA has prepared good practice on the extent to which the regional housing strategies developed by the Boards address the Energy White Paper objectives on affordability of energy supply and the Government's Fuel Poverty Strategy targets.

Social Tariffs – NEA has promoted the concept of Social Tariffs as a way to lessen the impact of rising domestic energy prices on low-income households.

Economic Impacts of Fuel Poverty and Other Energy Efficiency Programmes – NEA has conducted research to quantify the positive local economic impacts of energy efficiency programmes. The results of the study will be promoted to a wide audience to encourage investment in energy efficiency schemes.

Energy Action Scotland

- 3.67** The Scottish Ministers’ sponsor Energy Action Scotland to carry out a range of activities to reduce fuel poverty. This presently includes the preparation of advice to local authorities on tackling fuel poverty in their local housing strategies and awareness raising of fuel poverty issues amongst client representatives such as health professionals and welfare rights workers.

Help the Aged

- 3.68** Help the Aged is active in two particular areas around fuel poverty – one to call on public authorities to increase funding for fuel poverty reduction programmes covering both income and energy efficiency measures, the other to address the behavioural and lifestyle aspects of older people with messages about what they can do to better prepare for cold weather and to reduce health impacts which could result in premature death.
- 3.69** The Help the Aged British Gas Partnership has funded a growing number of Benefits Advice Projects and has also distributed hundreds of thousands of ‘The Cold Can Kill’ packs, designed to inform older householders about the dangers of not keeping adequately warm and the action and support that is available.

Age Concern

- 3.70** Age Concern works in the community to support older people through a range of initiatives such as information and advice, befriending, day centres, lunch clubs and advocacy services. It also influences public opinion and Government to improve the quality of life for older people.
- 3.71** In helping to keep people warm, Age Concern’s actions include the development of fact sheets ‘Help with heating’ and ‘A guide to money

benefits', which are available through the Age Concern Information Line²¹. In addition, many locally based Age Concern offices offer extra support to older people in winter.

Energy Saving Trust (EST)

- 3.72** The EST managed the 'Health Impact Evaluation of Warm Front'. The headline results from this study were announced at the Health, Housing and Fuel Poverty Forum's annual conference in April 2006. Detailed results have been published in a range of papers, and will continue to be released through professional journals during the course of 2007/08.²²
- 3.73** The EST also managed the Government's 'Community Energy Programme', which closed in March 2007 and provided grants to support installation and refurbishment of community energy systems across the UK. Since 2002 the scheme estimates that over 12,000 fuel poor individuals have been connected to community heating projects under this programme.
- 3.74** EST's 'Practical Help' Initiative, which offers solutions for promoting and implementing sustainable energy policies and measures to reduce carbon dioxide to local authorities and housing associations, reported 1.9% of all enquiries relating to fuel poverty. In addition, EST's Innovation Programme has also funded a total of 21 projects with a fuel poverty component.

Energy Efficiency Partnership for Homes (EEPfH)

- 3.75** The EEPfH (the Partnership) is a voluntary network of public, private and voluntary sector organisations. The Partnership comprises some 425 member companies and organisations from across the UK. It is funded by Defra and facilitated by the Energy Saving Trust.
- 3.76** The Partnership has a Fuel Poverty Strategy Group which has a unique role in co-ordinating action and sharing information on fuel poverty between organisations and sectors. This group has a cross-UK remit, and at its meetings, stages regular reviews of both Government schemes and non-Government initiatives tackling fuel poverty across the UK. The group also stages an annual event for the energy efficiency supply chain to discuss current issues relating to fuel poverty.

²¹ This is available by calling 0800 00 99 66 or by visiting www.ageconcern.org.uk.

²² The research findings can be viewed at www.warmerhealthyhomes.org.uk/media/PDF/warm_front_summary%20results.pdf

- 3.77** The Fuel Poverty Strategy Group has two sub-groups. The Hard-to-Treat Homes sub-group focuses on reducing the incidence of fuel poverty in solid wall homes and in properties that are off the gas network. This group has carried out extensive research over a number of years looking at the different technologies that can be used to make these properties cheaper to heat. This year the group has built on that research base to present detailed views on the issues to the Government's Fuel Poverty Advisory Group and to inform discussions about the future of the Energy Efficiency Commitment.
- 3.78** The Health sub-group has over the past three years established a new Housing, Health and Fuel Poverty Forum (HHFPPF). This forum aims to build collaboration between high level stakeholders in the health and energy fields. In 2006, the Forum focused on integrating fuel poverty activities within LinkAge projects (a DWP led programme to ensure more joined up local services for older people).
- 3.79** The Partnership's Managed Housing Strategy Group, which brings together social housing providers, has carried out research into the impact of rising fuel prices on those in social housing. The research found that there has been a large increase in fuel poverty among social housing tenants in England and that this group has been disproportionately affected by the price rises compared to owner occupiers and private tenants. In an attempt to encourage more action by housing providers on fuel poverty, the group also commissioned a range of new guidance for housing associations.

Chapter 4

Actions to Tackle Fuel Poverty: Working across the whole of Government

- 4.1** As fuel poverty is caused as a result of a number of different variables, namely: income levels, the condition of the housing stock and the price of fuel, tackling the issue cuts across many Government Departments as well as the Devolved Administrations. BERR and Defra currently have joint responsibility for achieving the targets for England. The Department for Work and Pensions (DWP), Department for Communities and Local Government (CLG) and Department of Health (DH) also have an important role to play in England.
- 4.2** A cross-Government working group has been set up to put in place an ongoing, joined up cross-Government communications campaign. This will help ensure that all the help currently available from Government, be it energy efficiency measures, benefits advice, or advice on how to stay healthy in winter is coordinated and easily accessible by the public. All future Government winter programmes and advice will run under this cross-Government banner of Keep Warm Keep Well²³, which is also accessible on-line via the Directgov webpage (www.direct.gov.uk).
- 4.3** In addition to this, a great deal of work has been done individually by each of these Departments and the Devolved Administrations over the last year to help combat fuel poverty. This section provides further details of these activities.

Department of Work and Pensions (DWP)

- 4.4** Significant progress has been made in tackling pensioner poverty, a contributing factor in reducing fuel poverty. Since 1997/98, more than 2 million pensioner households have been lifted out of absolute poverty, and more than 1 million out of relative poverty (after housing costs).

²³ Keep Warm Keep Well: http://www.direct.gov.uk/en/groups/dg_digitalassets/@dg/@en/documents/digitalasset/dg_069811.htm

- 4.5** Some 11.7 million people aged 60 and over received Winter Fuel Payments in the 2006/07 winter. The current rate is up to £200, with those over 80 (over 2 million people) receiving up to an extra £100. Winter Fuel Payments made a substantial contribution – if counted against fuel bills, they are estimated to have removed a further million households from fuel poverty in the UK. The Government has committed to retaining Winter Fuel Payments at their current rate for the remainder of this Parliament.
- 4.6** Pension Credit is a key part of the strategy to tackle pensioner poverty and is making a difference to the incomes of thousands of older people. Pension Credit ensures that no one aged 60 or over need live on an income of less than £119.05 a week for single pensioners and £181.70 for couples. Pension Credit also means that people aged 65 and over who have made modest provision for their retirement will be rewarded. This is worth up to £19.05 a week from April 2007 for single pensioners, and up to £25.26 a week for couples.
- 4.7** The Government is also making progress on tackling child poverty. We have succeeded in arresting and reversing the long-term trend in rising child poverty, and have made the biggest improvement of any EU country since 1997. Since 1997, there are 600,000 fewer children living in poverty.
- 4.8** To date our strategy has focused on increasing employment levels for parents, with most policy focus on lone parents, and increasing financial support through the tax credit system. These two levers have delivered the majority of progress to date.
- 4.9** On 27 March 2007, DWP published its refreshed child poverty strategy 'Working for Children'.²⁴ This strategy sets out the additional measures that DWP will undertake to contribute to the eradication of child poverty by 2020. It is only one element of a cross-Government strategy – policies on tax credits, child benefit, housing, childcare and education are equally important and intrinsically linked.
- 4.10** This represents new investment – £150 million by DWP alongside additional Budget 2007 measures that will support families and help 200,000 children out of poverty. The Government believes work is the best way out of poverty and continuing our progress at getting parents into work sits at the heart of our strategy.
- 4.11** DWP also play a key role in helping disabled people remain independent, by supporting the diverse needs of disabled people and carers. Disability Living Allowance and Attendance Allowance are non-means-tested tax-free benefits

24 <http://www.dwp.gov.uk/publications/dwp/2007/childpoverty/childpoverty.pdf>

for people who need help with personal care or have walking difficulties because they are physically or mentally disabled, and can be awarded to both adults and children. Carer's Allowance makes a contribution to the financial needs of people who, for 35 hours a week or more, care for severely disabled persons in receipt of Disability Living Allowance or Attendance Allowance.

- 4.12** Disability Living Allowance is received by almost 2.8 million people in Great Britain, Attendance Allowance by almost 1.5 million people, and the number of customers both receiving and with underlying entitlement to Carer's Allowance is approximately 0.8 million. In 2007/08, approximately £14.5 billion of benefit payments will be administered by the Disability and Carers Service. There has also been progress in empowering more disabled people into work, with 47.4% of disabled people in 2006 in work compared to 42.4% in 2000.
- 4.13** The arrangement for a two-way referral system between The Pension Service (DWP) and eaga, the Warm Front Scheme Manager, which was mentioned in the 2006 Report, has continued and over 1,000 poorer pensioners have been helped through the arrangement.
- 4.14** Similar cross-referral arrangements have continued between The Pension Service and energy suppliers, through the industry's Home Heat Helpline. In November 2006, The Pension Service worked with the ERA and the major energy suppliers on the Winter Mail Out initiative (outlined in Chapter 3, Stakeholder Action), which aimed to help alleviate fuel poverty amongst some of the poorest pensioners.
- 4.15** In Scotland, Scottish Ministers have targeted eligibility for some aspects of the Central Heating Programme on households that are in receipt of the guarantee element of Pension Credit. Eligibility for Warm Deal extends more widely to households that are in receipt of various kinds of benefits. Recognising the importance of improving the incomes of fuel poor households, Scottish Ministers are fully committed to maximising the incomes of poor households, and will continue to work with the UK Government to maximise the incomes of households through the tax credit and welfare benefits systems, and for the elderly through free personal and nursing care and help with repairing, improving, and adapting homes.
- 4.16** The Child Poverty Action Group in Scotland provides second tier support to welfare rights advisors across Scotland and is also supporting a range of activities to help people on low incomes manage their money, for example through the provision of money advice and financial products and services for the financially excluded. In 2005/06 fuel poverty programmes in Scotland

offered benefit checks to over 14,000 applicants. Since October 2006 the benefit entitlement checks have been further improved.

- 4.17** Scottish Ministers are committed to promoting energy efficiency across all housing tenures in order to reduce harmful carbon emissions and tackle fuel poverty ensuring that householders have warm homes that are affordable to heat. There is a commitment to introduce a Scottish Climate Change Bill, which will set a mandatory target of cutting emissions by 80% by 2050 with interim carbon budget periods or targets and mandatory annual reporting. Alongside fuel poverty, this will be a key driver for policies to promote energy efficiency and reduce the level of emissions from homes. These policies will include exploring ideas and options for further incentives to enable householders to carry out energy efficiency improvements, alongside developments in planning, building standards and the provision of advice and the introduction of measures such as Energy Performance Certificates

Department for Communities and Local Government (CLG)

- 4.18** In addition to progress made on the Decent Homes Standard (outlined in Chapter 3 – Stakeholder Action), the Housing Health and Safety Rating System (HHSRS) and Houses in Multiple Occupation licensing provisions of the Housing Act 2004, came into operation in April 2006. The importance of considering energy efficiency in implementation strategies for these parts of the Act is fully recognised.
- 4.19** CLG’s statutory guidance for local authorities on the use of the HHSRS enforcement powers gives advice on the contribution that they can make to fuel poverty and energy efficiency strategies. In particular, it advises authorities to take into account information from the Warm Front Scheme Managers and EEC providers in considering whether an HHSRS inspection may be needed in the interests of protecting a vulnerable occupier.
- 4.20** Further guidance to local authorities in England will be produced encouraging them to exceed the Decent Homes Standard.

Department of Health (DH)

- 4.21** Traditional, effective seasonal campaigns ran again during winter 2006/07. Both the seasonal flu campaign and Keep Warm, Keep Well ran from early October. Together, these campaigns seek to target relevant and effective messages to at risk groups.

- 4.22** The ‘Keep Warm, Keep Well’ campaign informs people across England at risk of developing cold-weather related illness (older people, those on low incomes and people with chronic illnesses or disability) of the need to take preventative action to reduce the risk of flu and other winter-related conditions and provides practical information on reducing fuel poverty. Research shows that poor housing stock and low household income are key indicators of cold-related ill-health.
- 4.23** Campaign materials were available to deliver to stakeholders from September last year, to ensure that communications were timely. Nearly 2.5 million information booklets were delivered to the NHS, GP surgeries, pharmacists, local authorities and voluntary organisations for distribution to their local communities. Public Relations media activity included ‘England’s coldest day’, using the weatherman Michael Fish, on 13th January 2007, which DH launched in partnership with the ERA.
- 4.24** A new development this year has been a joint post between Department of Health and eaga plc, managers of the Warm Front scheme. The post is seconded from the Warm Front networking team and encourages closer working by the Department of Health on affordable warmth by bringing together the latest research on health and fuel poverty, identifying best practice and communicating this to the wider health sectors.
- 4.25** Joint work achieved over the last year includes the development of a fact-sheet on winter warmth and health, sent to Directors of Public Health across England in January. A series of presentations have been given regionally with the Care Service Improvement Partnership Housing Network. A particular success this year has been the extension of Warm Front information with flu mailouts and with the Healthy Start campaign which are anticipated to generate several thousand referrals for home improvements.

Chapter 5

The Energy Market

5.1 Energy prices and the actions of suppliers are an important influence on fuel poverty. As noted earlier, the increase in fuel poverty between 2004 and 2005 was largely due to increased energy prices. This chapter looks at the energy market, and all the actions that Government and suppliers are taking to mitigate the impact of higher prices on fuel poverty.

Energy Prices

5.2 The overall cost of energy to domestic consumers rose by 22% in real terms between 2005 and 2006, with gas prices rising by 29% and electricity prices rising by 19%. This follows smaller price increases in 2003 and 2004, and means that overall energy prices in 2006 were around 40% higher in real terms than at their very low point of 2003, with gas prices rising by around 50% and electricity prices by around a third.

5.3 These increases reflected high wholesale gas prices, higher international coal prices, the recovery of wholesale electricity prices from unsustainably low levels and the introduction of the EU Emissions Trading Scheme in 2005. All six major suppliers announced reductions in tariffs in the first or second quarter of 2007, as a result of the falling wholesale gas prices over the past six to nine months. This will reduce the impact of higher prices on households, although prices remain high in historic terms.

5.4 Very significant new import infrastructure, including pipelines and Liquefied Natural Gas (LNG) facilities, are being delivered by the private sector, in addition to new storage sites. This represents investment of around £10 billion over the coming years, and this should reduce upward pressure on UK gas and electricity prices.

5.5 The completed projects for last winter were: a further enhancement to the import capacity of the Bacton-Zeebrugge interconnector; the construction of the Langeled pipeline from Norway; the BBL (Bacton – Balgzand) pipeline from the Netherlands; and the Teesside LNG importation project.

- 5.6** It is Government's role to make sure the market is working properly and encourage reform in neighbouring markets in the European Union (EU) and further afield, on which the UK will inevitably become increasingly reliant. The Government has been encouraging the European Commission to implement energy market liberalisation across the EU, and warmly welcomes the robust actions in 2006, including infraction proceedings.

The impact of price rises

- 5.7** Analysis of the overall effects of changes in fuel prices and incomes, including the effects of measures delivered by fuel poverty programmes, suggests that the total number of households in fuel poverty in England is likely to rise by around 1.2 million households between 2004-06, of which around 1 million are vulnerable. There are likely to have been proportional increases elsewhere in the United Kingdom.
- 5.8** We have revised the analysis presented in the 2007 Energy White Paper, which looked at the impacts of energy price and income scenarios on the fuel poverty figures. This now includes the effect of installing the main energy efficiency measures and uses the 2005 English House Conditions Survey data. Looking at central energy price and income scenario, these projections show that around 1.6 million households in England will remain in fuel poverty in 2010, of which around 1.3 million are vulnerable.
- 5.9** This analysis indicates that measures currently available under our main programmes can generate significant reductions in fuel poverty, but cannot tackle the issue alone. This is because a significant proportion of those modelled as remaining in fuel poverty in 2010 live in solid-walled dwellings (around half) or do not have a gas supply (around a quarter).
- 5.10** A further key reason for households remaining in fuel poverty by 2010 is that the majority of these households have extremely low incomes, such that energy efficiency measures alone are not always enough to take them out of fuel poverty.

Differentials between payment methods

- 5.11** There are still potential gains to be had from switching supplier and payment method, with potential savings for standard credit customers switching away from their home supplier averaging £83 for gas and £11 for electricity. Opting to pay by direct debit after switching supplier can save a further £27 for gas

and £30 for electricity. These are averages, and in some cases much greater savings are possible, with maximum savings being around £200 in total.

- 5.12** Ofgem has regularly highlighted the benefits of switching supplier in its press releases and other media activity. This has been effective as a way of communicating the message to a mass audience but is less effective as a way to get pre-payment meter and vulnerable customers to engage in the market. Ofgem are therefore exploring with Citizen Advice Bureau the scope for a joint campaign with more direct front-line support.

Energy company actions

- 5.13** Following the Energy White Paper, Ofgem has carried out an analysis of the social offerings by energy companies. These have highlighted the work undertaken by all suppliers in this area. Since the publication of the White Paper, significant additional assistance has been announced by a number of suppliers.

British Gas

- 5.14** British Gas announced a new tariff for vulnerable customers in February 2007. The 'Essentials' tariff allows around 300,000 customers to pay prices equivalent to the British Gas monthly direct debit rates, (the lowest standard electricity and gas tariff available from British Gas), regardless of what payment method they currently use. In addition, British Gas, with *Help the Aged*, has offered a price promise tariff for customers in receipt of pension credit. This tariff capped energy prices until October 2007 and gave access to free home insulation and other support. Last year, further support was given to customers on a range of benefits through the winter rebate. Over 400,000 of British Gas' most vulnerable customers received help, saving £60 on gas bills and £30 on electricity bills.
- 5.15** In addition to tariff support, British Gas also provides services, products and support to vulnerable customers through their 'Here to HELP' initiative, which involves partnerships with major charities, aiming to provide: energy efficiency measures and direct access to services, products and support from a number of UK charities; free benefit assessment; free products advice and support from charity partners. The British Gas Energy Trust Fund has also helped nearly 6,000 customers in the last 12 months.

EDF Energy

- 5.16** In April 2006, EDF Energy introduced the 'Energy Assist' tariff, giving eligible customers a 15% discount on their fuel bills, and access to a Benefit Entitlement Check. EDF have used Mosaic type geographical modelling to identify households at high risk of being in fuel poverty, and then, migrated them automatically onto their social tariff. At the end of 2006, approximately 57,000 customers had reduced their annual bills by an average of £147 a year as a result of this tariff. EDF Energy through their Trust Fund, (set up in October 2003), has so far awarded £5.4 million to support the fuel poor by providing help for households in debt, and voluntary organisations who give debt advice. They have also aligned their electricity pre-payment and standard credit tariffs. Further support has been provided through a number of partnerships set up to assist vulnerable customers. During 2006, EDF Energy provided advice on debt and energy efficiency, in various forms, to over 2 million customers. They also engage in a variety of partnerships with voluntary organisations, and run a winter risk campaign, providing advice and information to older and vulnerable customers on staying warm and signposting them to available support.

Northern Ireland Electricity

- 5.17** Northern Ireland Electricity's (NIE) smart metering product, Home Energy Direct, known in Northern Ireland as 'keypad', gives customers a 2.5% discount on their electricity costs relative to standard credit rates. At the end of 2006, there were approximately 185,000 (26% of domestic customers) making use of this product. NIE also have a number of partnerships with other organisations such as Age Concern, Help the Aged and Bryson House, offering whole house energy efficiency packages and benefit entitlement checks. A new initiative, 'For Your Benefit' has piloted a series of Benefit Check initiatives focusing on a range of vulnerable customer groups.

npower

- 5.18** npower has announced an additional budget of £2.6 million for initiatives to help vulnerable customers as part of their Spreading Warmth programme which will run from November 2007 to February 2008. The majority of this funding (£2 million) will go towards a rebate for 50,000 of their vulnerable customers. The remaining £600,000 will go towards a crisis fund for free energy efficiency measures. Npower has also confirmed its commitment to growing over the next few years the number of customers helped by its First Step programme, which provides advice and support for households

struggling to pay their bills, and those on its First Step tariff, the cheapest tariff available with npower, with a First Step Fund also available.

- 5.19** In 2006, npower introduced a rebate for customers on their priority service register, whereby these customers received a discount of £10 for electricity and £25 for gas. Npower operates the Health Through Warmth Scheme that builds local partnerships and referral networks to identify vulnerable people whose health is adversely affected by cold or damp conditions. It also aims to facilitate the installation of appropriate energy efficiency and heating measures. Financial support may then be offered from the npower Health Through Warmth Crisis Fund depending on circumstances.

Powergen

- 5.20** Powergen has two tariffs aimed at helping older and more vulnerable customers. StayWarm provides eligible customers over 60 the comfort of a fixed bill for their electricity and gas for one year at a time based on the number of people in their home, and the number of bedrooms they have. Currently Powergen has around 365,000 customers (9% of its customers) on this tariff, with over 10,000 customers in receipt of StayWarm prices independent of their consumption, as they are in receipt of benefits or have special medical needs. As part of an initiative with Age Concern, Powergen also provided a £10 cold weather payment to 160,000 gas customers last year.
- 5.21** Powergen also offers CaringEnergy which provides practical solutions to improve the energy efficiency and income of households in, or at risk of fuel poverty, through free cavity wall and loft insulation, Benefits Entitlement Checks, energy efficiency advice, home visits and energy audits, as well as access to a hardship fund for customers most in need. Powergen also provides funding in support of Severn Trent's Trust fund, has equalised its standard electricity pre-payment tariff with its standard credit tariff, and engages in a variety of partnerships with voluntary organisations.

Scottish & Southern

- 5.22** Scottish and Southern Energy's (SSE) 'Energyplus Care' tariff is targeted at those living in fuel poverty. It gives eligible households a 20% discount on their fuel bill and also gives customers access to other assistance such as free fridges, energy efficiency advice and Benefit Entitlement Checks. SSE has advised Ofgem that it plans to double the number of customers on its 'Energyplus Care' social tariff by 31 March 2008, and has set up a working

group to ensure this target is achieved. SSE has adopted a strategy around competitively priced energy and excellent customer service, which benefits all of its customers, including those who are fuel poor, vulnerable and hard to reach.

- 5.23** At the beginning of 2007, SSE equalised the tariffs for electricity pre-payment meters, reducing the electricity bill for 580,000 customers. SSE also provides welfare payments through a rebate for customers who are struggling with debt, decided on a case by case basis. In addition to these measures, SSE works in partnership with many national and local organisations in order to target advice and practical assistance, including low cost appliance packs, and the 'take control' hand book which includes advice on switching supplier, energy efficiency and budgeting.

ScottishPower

- 5.24** Scottish Power has announced that it will be putting in place a new Priority Services Register (PSR) Social Tariff in early 2008. All qualifying PSR customers will be offered a fixed rebate of £100, which is equivalent on average to their offline Direct Debit tariff. In 2006, ScottishPower provided a one off rebate of £50 for all customers on their Priority Services Register who paid by pre-payment or weekly card. They also provided help by aligning and subsequently reducing pre-payment tariffs so that they were lower than the equivalent Standard Credit Tariff. In addition, ScottishPower works in partnership with the Citizens Advice Bureau, providing a dedicated phone line for advisors. In January 2007, ScottishPower launched a new customer Charter and advice booklet 'Warmth without the Worry', designed to help customers prevent debt and disconnection.
- 5.25** ScottishPower also have 12 dedicated Community Liaison Officers who provide face to face customer contact and support. The £4 million ScottishPower Energy People Trust acts as an important source of financial aid for voluntary and not for profit organisations carrying out projects aimed at assisting fuel poor households. To date, the Trust has awarded just over £2.7 million to 69 projects helping over 129,000 individuals in almost 50,000 households in Britain.

Chapter 6

Advisory Bodies Across the UK

The Fuel Poverty Advisory Group for England

- 6.1** The Fuel Poverty Advisory Group for England met regularly throughout the year. The Group's Fifth Annual Report was published on 17 April 2007²⁵, and contained a number of recommendations for Government. These recommendations, along with the UK Government's response, including matters as they affect England, are presented below:
- 6.2** **Recommendation 1:** The Government's continued commitment to the statutory fuel poverty targets should be underlined by the inclusion of fuel poverty targets in the Public Service Agreements (PSAs) or the Strategic Departmental Objectives for Defra and BERR, and in the PSA Performance Indicators for other Departments.

Government Response

A revised approach to Public Service Agreements was introduced in the Comprehensive Spending Review 2007, with a new set of PSAs coming into effect from April 2008. There is a much smaller number of key cross cutting PSAs, setting a vision for continuous and accelerated improvement in the Government's priority outcomes, and delivered collectively by multiple departments.

Fuel poverty is firmly embedded in this approach, but not anymore as a stand alone PSA, rather as contributing to the achievement of wider government priorities. It is reflected as a component in the delivery of the PSAs on Child Poverty (led by Her Majesty's Treasury), on Independence and Well-being in Later Life (led by Department for Work and Pensions), and on Better Health and Well-being (led by Department of Health). The Government remains committed to tackling fuel poverty and promoting effective cross-departmental work to this end.

²⁵ <http://www.berr.gov.uk/energy/fuel-poverty/fpag/index.html>

Defra's and Berr's delivery of its responsibilities on fuel poverty will be reflected in these PSAs, and also as part of the department's ongoing performance reporting systems, which will underpin its Annual Report to Parliament.

- 6.3 Recommendation 2:** We have carried out a comprehensive update of the estimate of the resources required to eradicate fuel poverty. As a result we estimate that a programme of about £1 billion per annum is needed from 2008 to 2016 in order to eradicate fuel poverty in England by 2016. This underlines the importance of the decisions about resources for the Fuel Poverty Programmes in the months to come.
- 6.4 Recommendation 3:** It is essential, in our view, that Warm Front funding is at least maintained in 2008 to 2011 at the 2007/08 level of around £350 million. Similarly the share of low income customers (broadly the Priority Group) in EEC should not fall below 50%.
- 6.5 Recommendation 4:** The Government should provide an assessment of the resources and policies needed to meet the 2016 target for England, and should draw up a Fuel Poverty Business Plan for the initial years.

Government Response

Funding for fuel poverty programmes has grown rapidly in recent years, with additional funding allocated to Warm Front in the 2004 Comprehensive Spending Review and 2005 Pre-Budget Report.

The 2007 Comprehensive Spending Review (CSR) has allocated resources to continue the Warm Front Scheme in England. The combination of Warm Front funding of just over £800 million over the period and the focus on low-income and elderly customers through the priority group obligation in the Carbon Emissions Reduction Target (CERT) mean that spending on energy efficiency and other measures in low-income, elderly and disabled households is expected to rise, by £680 million to around £2.3 billion compared to the previous spending period.

The consultation proposals on the third phase of EEC 2008-11, now known as the Carbon Emissions Reduction Target (CERT), were published in May 2007. Following the consultation, consideration of the responses and further analysis, the Government's proposals for the CERT were laid before Parliament on 5th December 2007. The draft Electricity and Gas (Carbon Emissions Reduction) Order 2008 is subject to debate and approval by both Houses of Parliament.

The Government proposes that energy suppliers should be required to direct at least 40% of carbon savings to a Priority Group of those in receipt of income/disability based benefits or tax/pension credit or those who are aged 70 or over.

We recognise the challenges in meeting our fuel poverty targets brought about by the significant increase in fuel prices, and have outlined a series of measures and actions in the Energy White Paper to progress us towards our fuel poverty targets. As part of the review of our policy framework, we are considering how each policy option can contribute to our targets and their cost implications.

- 6.6 Recommendation 5:** Some of the necessary measures will be “non-mainstream” – renewables and solid wall insulation. Special programmes, probably within existing schemes, for developing these and installing them will be important.

Government Response

As outlined in the Energy White Paper 2007, the introduction of new technologies will be considered through the main UK fuel poverty schemes. Warm Front in England has mechanisms in place for assessing some non-mainstream measures for consideration for introduction into the range of measures offered by the Scheme. The measures being considered are typically low carbon technologies including renewables. The CERT, through its flexibility option will offer further scope for new technologies to be made available to fuel poor and low income households.

Alongside this, the Low Carbon Buildings Programme, run by the Energy Savings Trust, is hoping to attract bids from social housing providers seeking to install microgeneration in order to further demonstrate their value, particularly for low income, hard to reach properties. In terms of solid wall insulation, we will continue to monitor the market for this in terms of technological developments and related installation costs as well as the impact on fuel costs. We will continue to work with partners including the Energy Efficiency Partnership for Homes, Hard to Treat sub-group, to promote this technology and encourage up-take in the able to pay sector, hopefully leading to an improved payback, as a result of efficiencies of scale. Should this occur, solid wall insulation could then be considered as part of existing schemes for hard to treat properties.

Notwithstanding these initiatives, it is unlikely that these measures will be installed in great numbers over the next few years through fuel poverty

programmes. This is because they remain expensive, industry capacity is low and the installation is intrusive for householders.

- 6.7 Recommendation 6:** Fuel poverty targets should be included in the new Local Government Performance Framework and in Local Area Agreements. This will be very important in stimulating more local authority activity on fuel poverty.

Government Response

The Local Government White Paper sets out a new performance framework for local government to be incorporated into Local Area Agreements for England from April 2008. The backbone of the new framework will be a single set of 198 mandatory indicators, which were announced in conjunction with the 2007 Comprehensive Spending Review

We have taken the opportunity offered by the new streamlined performance framework to articulate more clearly Defra's key interests at a local level. The final set of 13 reflects careful internal consideration of priorities and links to our national-level goals. We have drawn out those elements that rely to any significant degree on local delivery and for which performance management is particularly important.

Fuel poverty was announced as one of the final indicators which paves the way for local authorities and their partners to focus fuel poverty actions directly to the communities they serve. We will continue to work with Government Offices and Local Authorities on the inclusion of Fuel Poverty Indicator within LAAs.

- 6.8 Recommendation 7:** Energy efficiency standards for social housing needs to be increased either by an improvement in the Decent Homes Standard or by a duty on landlords to provide minimum SAP ratings by say 2016.

Government Response

The Decent Homes Standard is a minimum standard, designed to trigger action, not a maximum standard which we expect landlords in England to work to. Research published by the BRE in 2006 indicated that almost all landlords work to a much higher standard than the basic Decent Homes standard when installing insulation or other energy efficiency measures.

We committed to issue further guidance later this year on Decent Homes to encourage local authorities in England to exceed the Standard where ever

possible. With regard to landlords, the Housing Health Safety Rating System (HHSRS), introduced earlier this year, provides a useful tool to ensure that the standards of homes in the rental sector are maintained at an acceptable level, both in terms of integrity and energy efficiency, and ensures a resident's health and safety is not put at risk due to excess cold. The HHSRS uses SAP ratings as a proxy measure for thermal comfort and safety.

- 6.9 Recommendation 8:** The extension of the gas network will be very helpful for fuel poverty and we hope that the useful proposals being considered in Ofgem's Gas Distribution Price Review will be implemented.

Government Response

We are pleased that Ofgem's proposals for the Gas Distribution Price Control include suggestions for encouraging gas network extensions to vulnerable households. These proposals have two key elements:

- Modifying the basis on which the charges are calculated for extending the gas network to the most deprived areas across Great Britain, identified by using each country's Index of Multiple Deprivation (IMD);
- Incentivising Gas Distribution Network companies to develop and undertake initiatives which facilitate gas network extensions particularly initiatives which increase the affordability of such extensions for fuel poor consumers. A reward of up to £20 million (over 5 years) is available to those companies who demonstrate best practice in this area. This reward also includes initiatives Gas Distribution Network companies undertake regarding the promotion of gas safety and reducing the environmental impacts of gas distribution.

These are very positive developments that could, at a conservative estimate, connect up to 360 communities and 25,000 households over the period. Ofgem have recently published their final proposals for price control on 4th December 2007.²⁶

Ofgem are also considering how, working with third parties, more can be done to directly inform customers about how to reduce their bills.

- 6.10 Recommendation 9:** Further efforts need to be made to reduce the cost of payment methods for low income customers, either by pre-payment meters or Fuel Direct or banking/Post Office arrangements, drawing on the potential of current technology. This cuts across Government Departments and

²⁶ <http://www.ofgem.gov.uk/Networks/GasDistr/GDPCR7-13/Pages/GDPCR7-13.aspx>

Ofgem, and we would like to see Treasury take the lead with a determination to find a solution here.

Government Response

We agree that suppliers should consider innovative payment methods that utilise advanced technologies. The Energy Demand Research Project, co-funded by BERR and supplier-led consortia, will involve several thousand households receiving smart meters or feedback devices, displaying real-time energy use.

The project, managed by Ofgem on the Government's behalf, will test different ways of improving billing and metering for all energy consumers. This will be among the information that will inform thinking on a roll-out of smart meters, as envisaged by the 2007 Energy White Paper. The Government is also consulting on metering and billing and is undertaking research into the costs and benefits of broad roll-out options as part of its policy development and decision-making processes.

On the particular issue of the bill differences between payment methods, as stated in the 2007 Energy White Paper, we are looking at whether there are ways to encourage best practice in protecting the most vulnerable consumers from the large differences in bills because of the payment method they use, whilst recognising that fuel poor customers use all payment methods, and that action in respect of one group of customers can impact the bills of others. Ofgem are also considering ways that they can more directly inform customers about how to reduce their bills.

The Government is also taking steps to promote financial inclusion and increase the number of adults with access to transactional bank accounts. Between 2002-03 and 2005-06, 800,000 adults were brought into banking for the first time and 1.6 million people gained access to a transactional bank account. Where appropriate, this can enable low-income households to take advantage of services such as direct debit and the financial benefits they offer. The Government and the Financial Inclusion Taskforce is working with the banks to collect data on account usage, including use of direct debits, by basic bank account customers.

- 6.11 Recommendation 10:** Price discounts (Social Tariffs) for a small number of customers, especially where energy efficiency or similar measures are impractical or very expensive, will also play a role and any Energy Legislation should contain an enabling clause for Social Tariffs.

Government Response

As stated in the 2007 Energy White Paper, we are working with Ofgem to evaluate each company's Corporate Social Responsibility measures in relation to vulnerable customers to see exactly how these compare, drawing attention to the most effective initiatives and highlighting where improvements are needed. We have asked each company to put in place a proportional programme of assistance.

Ofgem's most recent report shows that a number of companies have now increased their investment in social programmes. The UK Government is considering what action may now be appropriate.

- 6.12 Recommendation 11:** More generally it will be extremely important to keep electricity and gas prices as low as possible. As wholesale prices fall, retail prices must follow. Ofgem has made helpful remarks about this and prices have started to fall, but we are not sure that Ofgem has carried out the work needed to monitor that prices are falling adequately for customers in general and pre-payment customers in particular. In addition prices will be higher than necessary as a result of Ofgem's electricity transmission, and gas distribution, one year price control reviews. We look forward to a more balanced settlement in the 5 year gas distribution price review.

Government Response

We agree it is important that Ofgem and Government work to ensure that prices are no higher than necessary and that they fall appropriately when wholesale prices fall. We are encouraged by the actions of Ofgem in this area that it is encouraging prices to fall as quickly as possible. In undertaking these periodic reviews, Ofgem protects the interest of consumers by reviewing the revenue, energy network monopolies, are allowed to recover from their customers. In setting these revenue allowances, Ofgem develops a framework that creates incentives for these monopolies to operate efficiently and make the necessary investment in their networks to deliver an agreed quality of service, contribute to sustainability, and meet their statutory obligations and licence conditions.

- 6.13 Recommendation 12:** The sales of the local distribution companies (LDZs) by National Grid seem to us – because of the way they were implemented – to have been contrary to customers' interests. Gas distribution charges have certainly not been reduced as a result of the changes, as the Public Accounts Committee recently noted. Ofgem claims that it did not have the powers to secure some of the benefits from the sale of the LDZs for customers,

including low income customers. Any Energy Legislation should provide such powers for Ofgem so that customers can be properly protected in future.

Government Response

Ofgem has an important role to play in tackling fuel poverty, and its commitment towards vulnerable customers are already reflected in its statutory duties. We keep the role of the regulator under review, but believe that regulatory certainty is important going forward, so changes to Ofgem duties should not be made unless there are clear advantages to the change.

- 6.14 Recommendation 13:** Customers in need will be targeted more efficiently and at lower cost if – with the necessary and appropriate safeguards – Department of Work and Pensions and HM Revenue and Customs information about customers on Benefits, and Local Authority information on Council Tax and Housing Benefit could be used more extensively, and if the data on the energy efficiency of buildings, being obtained under the EU Buildings Directive, could be made available to Local Authorities and others. The necessary statutory changes should be made to secure all this. There are precedents from Northern Ireland Water and from Digital TV for pensioners. A significant contribution on fuel poverty could be made by a high profile cross-Departmental commitment to a programme aimed at finding customers for the fuel poverty schemes and encouraging them to come forward, while at the same time targeting those eligible for benefits who are not currently claiming them.

Government Response

As stated in the 2007 Energy White Paper, the Government is committed to seeking to use our data to help target help and support at those who need it most. We will be working with energy suppliers and fuel poverty programme managers to consider what might be possible. For winter (07/08), we are in the process of working with energy suppliers and eaga to mail out to households in receipt of pension credit. This activity could form the basis of future joint working.

The Scottish Fuel Poverty Forum

- 6.15** The Scottish Executive Fuel Poverty Forum was set up in 2002 from the membership of what had previously been the Fuel Poverty Advisory Group, with the remit to work collectively towards delivering the shared objective of

eradicating fuel poverty so that from 2016 no person should have to live in fuel poverty in Scotland. The Forum has worked towards implementing the actions set out in the Scottish Fuel Poverty Statement and its progress was reported in the review of the Statement published late 2006. Scottish Ministers are currently considering the future of the Forum.

Fuel Poverty Advisory Group for Wales

- 6.16** The Fuel Poverty Advisory Group for Wales was established in 2004 to monitor and review the strategy and to promote a partnership approach to tackling fuel poverty in Wales. In April 2006, the Group held an awayday to develop a workplan. Working groups were set up to consider available resources, best practice in energy efficiency and benefits advice in Wales, and the links between fuel poverty and health.

Fuel Poverty Advisory Group in Northern Ireland

- 6.17** The Fuel Poverty Advisory Group in Northern Ireland was set-up almost two years ago and has just published its second annual report in September 2007 putting forward a number of recommendations about addressing fuel poverty to Government. The report acknowledged the substantial progress made and provides a challenge across Government Departments to develop or adjust policy in order to eradicate fuel poverty.

Chapter 7

The Way Forward

- 7.1** The 2007 Energy White Paper considers the UK's progress against the medium and long-term energy goals, including tackling fuel poverty and the options for further steps to move towards these goals. We announced a variety of steps in the White Paper to better tackle fuel poverty in England and across the rest of the UK.
- 7.2** These include the commitments that we will:
- Take a more localised approach – in regions, local authorities and individual communities – to tackling fuel poverty, actively generating referrals and delivering cost effective measures;
 - Provide a Benefit Entitlement Check to all households that require one who come forward to Warm Front;
 - Enable use of benefit information in clearly specified and controlled circumstances, allowing help to be more easily targeted at eligible households;
 - Issue guidance to encourage local authorities in England to exceed the Decent Homes Standard, and use the model of fuel poverty at a local level as a stimulus for action;
 - Put in place a cross-Government communications campaign in time for winter, so that all the help currently available, be it energy efficiency, benefits advice, tariff advice or advice on how to stay healthy in winter is coordinated and easily accessible;
 - Work with Ofgem and energywatch to encourage vulnerable customers to use the energy market to get the best deal, where appropriate;
 - Encourage energy suppliers to provide a proportionate programme of assistance to their vulnerable customers;
 - Continue to work with Ofgem on the scope for the gas distribution price control to incentivise extension of the gas network to deprived communities.
- 7.3** We estimate that these measures alone can reduce fuel poverty in the UK by around 200,000 households.

- 7.4** In addition to these commitments previously outlined we are also:
- Encouraging local authorities to take forward the fuel poverty indicator within the new performance framework for local government;
 - Reviewing the scope of the measures offered by the Warm Front Scheme and the level of assistance that is available to individual households from the Scheme.
- 7.5** We are also committed to keeping this policy framework under scrutiny and report on the way forward in this report.

Glossary

BERR	Department for Business, Enterprise and Regularity Reform
CERT	Carbon Emission Reduction Target
CSR	Corporate Social Responsibility
CLG	Department for Communities and Local Government
Defra	Department for the Environment, Food and Rural Affairs
DDU	Design and Demonstration Unit
DH	Department of Health
DSD	Department for Social Development (NI)
DTI	Department of Trade & Industry (now BERR)
DWP	Department for Work & Pensions
EEC	Energy Efficiency Commitment
EEPfH	Energy Efficiency Partnership for Homes
EHCS	English House Condition Survey
ERA	Energy Retail Association
EST	Energy Saving Trust
FPAG	Fuel Poverty Advisory Group for England
HEES	Home Energy Efficiency Scheme
HHSRS	Housing Health & Safety Rating System

HMT	Her Majesty's Treasury
IHCS	Interim House Condition Survey (Northern Ireland)
LSP	Local Strategic Partnerships
NEA	National Energy Action
Ofgem	Gas & Electricity Markets Authority
PCT	Primary Care Trust
SAP	Standard Assessment Procedure
SR04	Spending Review 2004
WTC	Working Tax Credits
WZL	Warm Zones Limited



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