



energy retail association

The Energy Retail Association (ERA) is the trade organisation which represents all major domestic suppliers of electricity and gas in Great Britain. A major component of its work is the preparation and execution of policy on a range of key issues for the sector, including selling, billing, transfers, regulation, energy efficiency, social issues and new technology.

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Fuel poverty

www.energy-retail.org.uk/fuelpoverty

ERA's Position

Fuel poverty is a critical issue which affects low-income households, often presenting those affected with the choice of food over heat, or heat over light. The Government, energy suppliers and charity organisations need to tackle fuel poverty collectively.

Energy suppliers are supporting the Government to reach its fuel poverty targets. The suppliers have worked collectively and individually with Government agencies, charitable groups and advice services to aid people in this position.

The energy companies, together with the Energy Retail Association, continue to look at innovative ways of aiding customers who are in fuel poverty, who are often the most vulnerable people in society and the most difficult to reach.



The facts

- Approximately three million households in Britain suffer from fuel poverty (Ofgem sustainability report 2006)
- Under the UK Fuel Poverty Strategy (2001) Government has a target to remove vulnerable households from fuel poverty by 2010 and all households by 2016
- Since 1996 2.5 million consumers have been taken out of fuel poverty by energy suppliers and social welfare organisations
- Households that spend more than 10% of their income on heating and lighting are suffering from fuel poverty, caused by either the cost of their fuel; the energy efficiency and condition of their home or their household income
- “Fuel poverty still silently blights millions of households. Only with continued support from energy suppliers and key stakeholders can Government effect change.”
Duncan Sedgwick, Chief Executive, ERA
- The ERA, on behalf of the major energy suppliers, launched the Home Heat Helpline (0800 33 66 99) in 2005. This is the first national service specifically targeting fuel poverty. The Home Heat Helpline is a free national service for vulnerable people having difficulties paying their fuel bills
- Suppliers offer additional protection services to vulnerable customers, including free gas safety checks on appliances, flexible payment arrangements and a commitment not to disconnect vulnerable customers at any time of year



What is Fuel Poverty?

A fuel poor household is one which needs to spend more than **10% of its income on fuel to heat** its home to an adequate standard of warmth (18°C to 21°C as recommended by the World Health Organisation).

Typically households who are fuel poor have limited income and may be in debt, therefore they must balance their need for fuel against other essentials, and very often cannot afford to heat their homes properly. They may also be in their home for longer periods of the day, increasing the cost of keeping warm, may have a poor or no heating system installed, and live in a house that is either inadequately insulated or too large for their needs.

Help the Aged estimates that more than **20% of older people in poverty go without fuel** to make ends meet.

Fuel poverty can erode a person's quality of life and health. The likelihood of ill health is increased by a cold home, with illnesses such as influenza, heart disease and strokes exacerbated by lack of heat.

The risks from fuel poverty apply to all, including families with children (which account for 20% of all fuel poverty households) and older householders. However those with disabilities or suffering a long-term illness are particularly vulnerable.

Although there are benefits and initiatives available from Government and energy suppliers, it is very difficult to identify and engage with those in need. It is often the case that vulnerable households have less social engagement with their local community due to limited affordability of social activities and concern over inviting friends and family into a cold home.

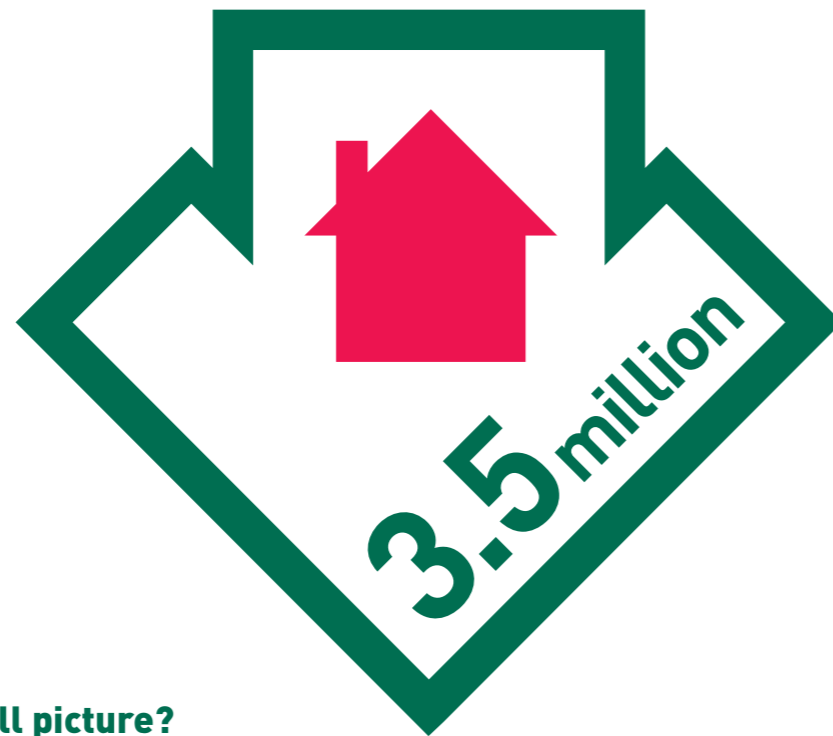
The ERA has established partnerships with the following organisations to ensure as many vulnerable customers as possible have access to the support they need. The ERA will continue to identify additional organisations that may be able to assist in informing vulnerable customers of the help and advice available:

- **Help the Aged**
- **Gingerbread**
- **Royal British Legion**
- **Carers UK**
- **Sure Start**
- **Citizens Advice**
- **Age Concern**
- **Parenting Plus**
- **Deafblind UK**



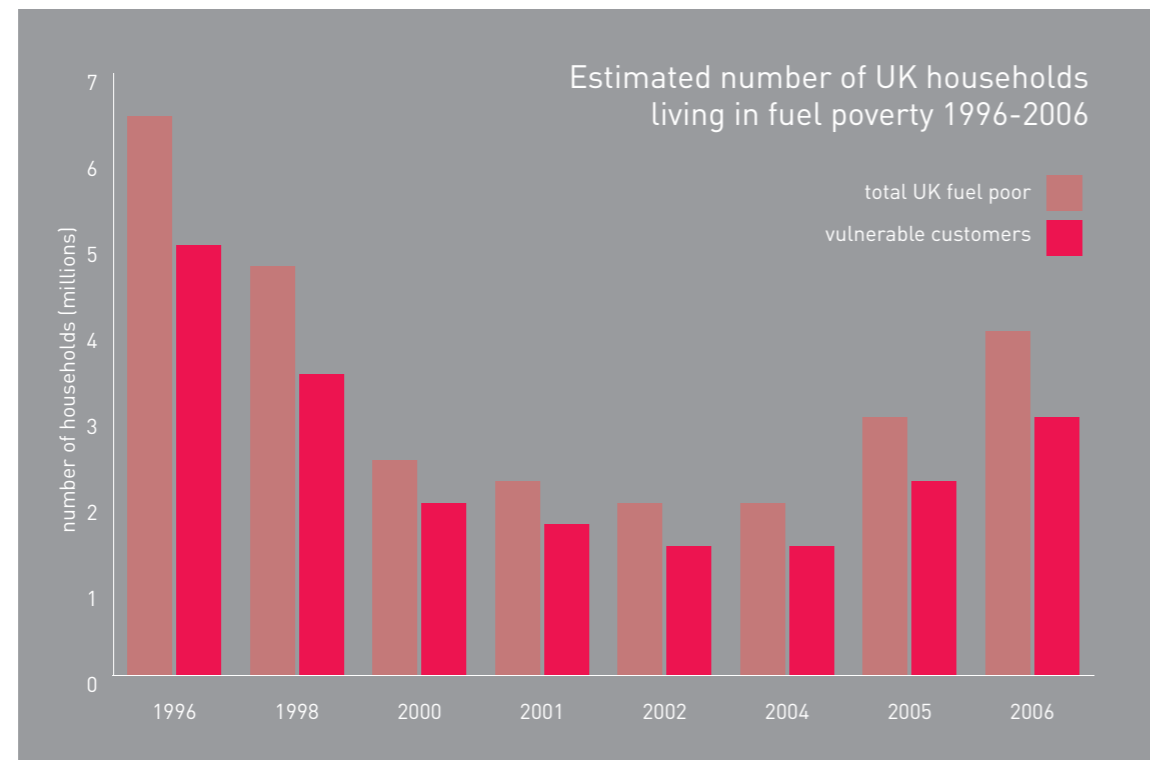
The energy regulator, Ofgem, recently carried out a MORI survey of vulnerable customers, which revealed that, despite the level of available support, many eligible customers are simply unaware of the help offered to them. A recent programme of benefits health checks also found that vulnerable customers were under-claiming entitlements by **an average of £1,200 per year**.

It is clear that the ability to identify and assess the needs of fuel poor households will be key to meeting the Government's target of eradicating fuel poverty for vulnerable people by 2010.



What is the overall picture?

There has been a significant reduction in fuel poverty since 1996, when nearly 6.5 million households were estimated to be fuel poor, compared to three million today. According to Government, 60% of this reduction was a result of an increase in income, 20% as a result of falling fuel prices and 20% due to energy efficiency improvements in consumers' homes.



Sources: 4th Annual Report on the Fuel Poverty Strategy – May 2006 (actual figures for 1996-2004), Ofgem estimates based on Government's Energy Review Report – July 2006 (projected figures for 2005 and 2006)

Although in previous years, low energy prices have helped poor households, more recently low income and higher energy prices have had an impact on the ability of households to spend enough to keep warm. Poor energy efficiency, increasing debt and low benefits take-up have also played a part in the fuel poverty picture. **In the current climate of volatile wholesale prices, fuel poverty has become a key concern of Government and industry alike.**



What help is the Government giving the fuel poor and is it working?

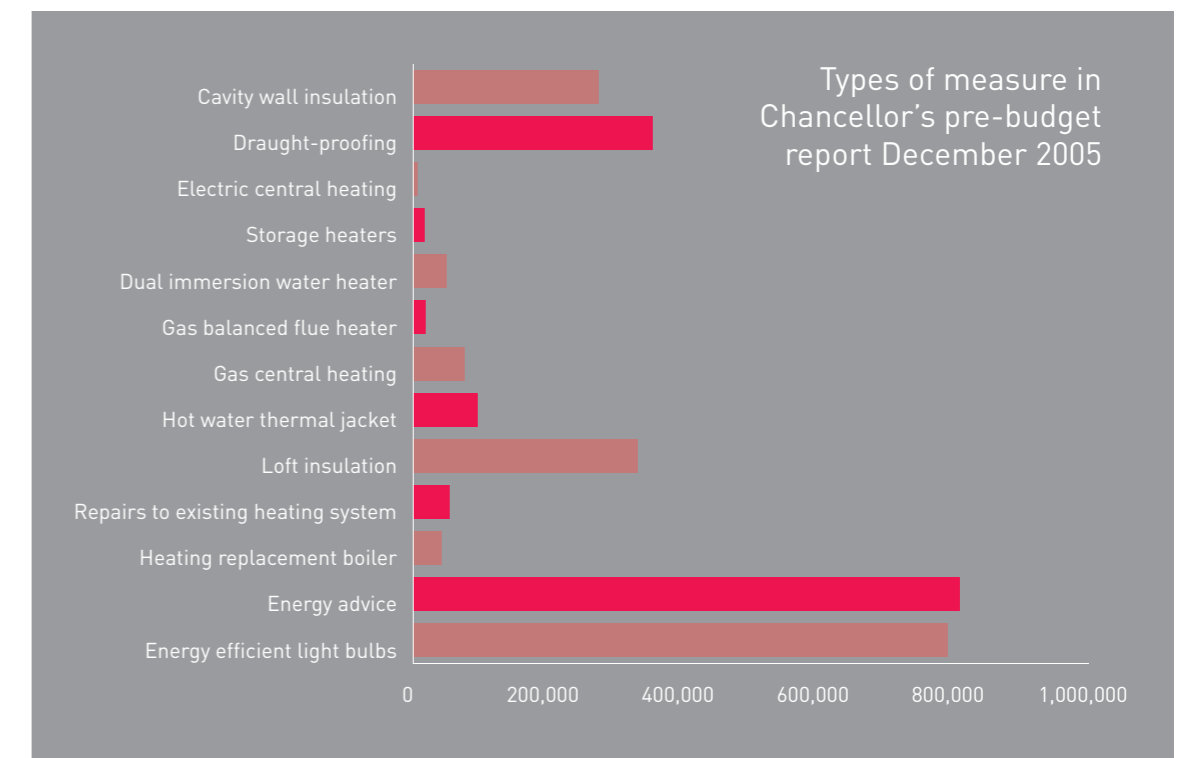
In 2001 the Government set a target for eradicating fuel poverty in England, Wales and Northern Ireland, through the publication of the UK Fuel Poverty Strategy. This target was re-affirmed in the 2003 Energy White Paper, which gave the commitment to **remove vulnerable households from fuel poverty by 2010** and all households by 2016.

The Scottish Executive gave a similar commitment to eradicate fuel poverty by 2018 and both Parliaments put measures in place to tackle the issues.

There are a number of schemes in operation to help meet the Government's objective. These include:

- **The Winter Fuel Allowance for households with someone aged 60 or over**
- **Reduced VAT of 5% on domestic fuel bills**
- **Energy efficiency investment in council housing stock**
- **England: Warmfront provides grants of up to £2,700 for energy efficiency and heating packages to private owner/occupiers**
- **Wales: The Home Energy Efficiency Scheme provides grants up to £5,000**
- **Scotland: Warm Deal provides households dependent on benefits with a package of insulation measures up to the value of £500**

The grants in the schemes mentioned above provide different types of assistance, but typically offer central heating, home insulation (e.g. loft insulation, draught proofing, cavity wall insulation) and energy advice. Each of the schemes have different qualification criteria and take up rates of the schemes are highlighted in the graph below.



The Government has also committed, in its pre-Budget report (December 2005), to provide free central heating installations for all pensioners over 60 on pension credit who currently do not have it in England.

What more should be done?

The ERA believes that Government should ensure support for low-income customers, improve housing stock and have a greater focus on energy efficiency, targeting help for people in fuel poverty. In particular, suppliers would like to see the Government adopt a strategy which targets the under-claiming of benefits in order to maximise incomes for low-income households.

Delivering such an initiative would require a co-ordinated approach that delivers all social support mechanisms simultaneously, tailored to suit the needs of each household.

The Government has access to information that could identify households that are in fuel poverty and such information, if collated and used in an appropriate manner, could be used to target help and advice.

The ERA believes that fuel poverty funding should be ring-fenced to allow for a broader range of measures. For example, suppliers could develop schemes to supplement the Winter Fuel Payment using funds that would ordinarily be required for insulation activity. The ERA would like to see more flexibility in how suppliers are obligated to meet energy efficiency targets. This may require primary legislation to enable additional fiscal support to be targeted at fuel poor households.

The ERA also believes that the Treasury should allocate a budget to each relevant Government department, perhaps under the forthcoming Comprehensive Spending Review, for use in fuel poverty schemes. The departments could then pool their budget, and as such, a co-ordinated approach will have a greater effect on fuel poverty.

We urge swift action on:

- **Inclusion of benefits assessments in all fuel poverty programmes. The Government should launch a targeted campaign to tackle the under-claiming of benefits. Energy suppliers would then ensure benefit health checks are offered to their vulnerable customers who contact them and have not had Government assistance in identifying additional benefits for which they may be eligible.**
- **Review of Fuel Direct. The ERA proposes that Fuel Direct is discontinued as a last resort option for people struggling with their household expenditure. A fuel passport model would allow payments to be made direct to suppliers and any debt accrued could be paid over an extended period at an escalating rate. This would give customers a stepping stone to financial inclusion at the same time as receiving benefits.**
- **Improved data sharing/targeting of fuel poor customers. The ERA proposes that Government agencies should be encouraged to actively promote fuel poverty programmes offered by energy suppliers and work with the health sector to target the fuel poor, irrespective of data protection restrictions.**

It is unsustainable for the Government to increasingly rely on energy suppliers' CSR initiatives. While customers clearly benefit from such programmes, they are entirely voluntary and are part of the suite of service offerings provided by the industry in a highly competitive market.

The Government's fuel poverty and energy efficiency targets could be achieved more effectively if the policy mechanisms clearly differentiated between them. Specifically the Energy Efficiency Commitment should not be used as an ineffective proxy to deliver fuel poverty objectives.

Industry Initiatives

Suppliers have led the way in alleviating the symptoms of fuel poverty, by developing a range of schemes specifically targeted at vulnerable and fuel poor customers. Such schemes include benefits entitlement/health checks, low rate energy tariffs, energy efficiency packages and trust funds. Collectively energy suppliers will **spend more than £1billion from 2008 to 2011 on fuel poverty programmes. Over the last three years they spent £700 million.**

At the same time, suppliers also offer additional protection and services to vulnerable customers, both through requirement and voluntary means. These services include gas safety checks on appliances, the provision of flexible and tailored payment arrangements and the commitment not to disconnect.

In October 2005 the ERA launched the **Home Heat Helpline (0800 33 66 99)** to support the Government in achieving its fuel poverty targets, by assisting individuals with billing, energy efficiency advice and welfare enquiries. The helpline is a single service number, which seeks to encourage vulnerable customers and fuel poor households to speak with their energy supplier. Initially an independent advisor discusses the consumer's concern before forwarding the consumer to their energy supplier, if appropriate. Once connected to their energy supplier, representatives specially trained in debt management, energy efficiency, priority services and social welfare handle their calls.



Your family doesn't need to be cold

call now for free advice
0800 33 66 99

www.homeheathelpline.org 

Through the Home Heat Helpline, suppliers are able to ensure that customers on relevant qualifying benefits get free energy efficiency measures installed in their homes, where possible. Such measures include cavity wall insulation, loft insulation and heating systems. The supplier will make sure that no customers who are elderly, disabled or in serious financial difficulty will be disconnected from their supply at any time of year. Furthermore, they will encourage eligible customers to take advantage of free services, such as gas safety checks and meter relocation.

Energy suppliers also recognise that the main contributions that they can make, alongside social welfare projects, is to maintain pressure on fuel prices, to promote energy efficiency improvements, and to ensure that there is flexibility in a competitive market, to enable vulnerable customers to benefit from competition and the special services and tariffs available to them.

Collectively, energy suppliers have tasked the ERA to work with Government in identifying and implementing ways to tackle fuel poverty, as they want to achieve the best results by working together.