

Consultation on the Fuel Poverty Strategy for England

<https://www.gov.uk/government/consultations/fuel-poverty-strategy-for-england>

Response to BEIS Consultation

This response is on behalf of the Association of Local Energy Officers London.

The Association of Local Energy Officers London (ALEO London) represents local authority energy and fuel poverty officers in Greater London. We have over 60 local authority members from across the 33 London boroughs and over 20 associate members from partner organisations involved in promoting home energy efficiency within the capital.

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

Yes, it should be updated. The updated indicator is simpler than the existing Low-Income High-Costs (LIHC) indicator and better aligns with the fuel poverty target. We agree that an absolute measure is better than a relative one.

2. The proposed metric update – LILEE – would necessitate certain updates to the current methodology, namely as regards the high costs threshold, but the other aspects of the current LIHC methodology would not necessarily need updating. Do you have views or evidence on whether Government should update those other aspects of the methodology on the introduction of LILEE, including the following:

- a. Household energy requirements calculation, including heating regime
- b. Equivalisation factors, for fuel costs and for income;
- c. Income methodology;
- d. Fuel prices methodology.

Further work is needed to capture more realistic heating patterns and to properly reflect non-heating energy requirements.

We support the equivalisation of income to take account of the size and composition of households. We support the use of an 'After Housing Costs' measure of income.

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

Yes we agree with this. Retaining the interim milestones is the right thing to do and creates an opportunity for greater priority and urgency to responding to this in relation to the 2020 target. The 8% of fuel poor households in F and G-rated properties should be identified and given energy efficiency improvements in the next 15 months. Retaining the interim target in a meaningful way and backing it with resources and policy commitments will give significant impetus and aligns with the urgency on responding to climate change being achieved through the climate emergency and related campaigns.

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

Retaining the 'worst first' principle is critical to making sure policies help households in the deepest fuel poverty. There is limited evidence however that the principle has been applied in a meaningful way, for example within the delivery of ECO.

The proposal to give an emphasis to whole-house retrofits is welcomed. The more that can be done on each visit, with the consent of the resident, the better.

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

Given the lack of available resources on fuel poverty cost effectiveness is of fundamental importance, and in any case taxpayer or utility bill payer money should never be wasted. Current ECO arrangements should be reviewed for their cost effectiveness and alternative options considered.

There may be tensions between this and the 'worst first' principle, as those in most need often need most support. There therefore needs to be further development in how it is applied.

Whilst BEIS has evaluated the costs associated with fuel poverty schemes, there has been less work on the co-benefits, especially those associated with energy efficiency. BEIS must address this for future schemes by attempting to quantify more co-benefits, especially the health benefits and subsequent NHS savings, that energy efficiency can present in fuel poor households. The recent Ashden Climate Action work on co-benefits identified the cost to the NHS of cold homes at £2.5bn. BEIS must also work to better understand the life-time effects on children brought up in cold homes and suffering from reduced life-chances as a result.

Solid wall houses will need to be treated to reach the fuel poverty target. These will only be regarded as not cost effective if assessed using basic cost benefit analysis, such as simplistic payback periods. Using more sophisticated cost benefit analysis, taking into consideration the

health benefits and associated savings, makes solid wall construction cost effective and 'reasonably practicable'. It is essential that the holistic benefits of these measures are captured so that solid wall households, often in the deepest fuel poverty, can be helped.

Other options need to be considered where cost-effectiveness prevents works that would bring home energy efficiency to the standard needed in time to meet the strategy target dates. This could include increasing income levels or the provision of targeted and focussed practical support to reduce costs, escape fuel debt and improve thermal comfort in the home. Practical advice can provide real and immediate benefits and should be prioritised as part of a rounded approach to identifying and supporting those in and at risk of fuel poverty. It should not however be seen as a cheaper alternative to raising standards of home energy efficiency.

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

Yes, whilst the refining of the vulnerability principle is promising, especially the adoption of the NICE guidelines, more detail is definitely needed and BEIS must be clear and careful in the identification of vulnerabilities. It is important that we can target effectively but without creating additional unfunded administration or systems that will make it more difficult to reaching some vulnerable groups.

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

Yes.

It is not clear what policy mix will allow all consumers, especially the fuel poor, to benefit from decarbonisation policies. There is also risk, unless we take steps to understand and address them, that the distributional impacts of delivering net zero carbon may impact negatively of low income and vulnerable groups and potentially increase underlying causes of fuel poverty. This needs proper attention paid to it within Government.

The reliance on consumer funded mechanisms also makes the current policy landscape exceptionally regressive and the few policies funded through taxation - like the Renewable Heat Incentive - have done very little to support fuel poor householders to offset the cost of installing low carbon heating systems in their homes due to the way the scheme operates.

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

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

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

The most pressing issue to address is a lack of adequate resource to meet the statutory energy efficiency fuel poverty requirements in England.

According to the CFP, the funding gap to meet the 2030 target stands at £6.2bn, after accounting for the Clean Growth Strategy proposals.

Government should also set a longer term framework for energy efficiency and in particular identify the future scale and shape of ECO post 2022, making the programme more assessable and more likely to support the households in greatest need.

Government should support the introduction of complementary locally-led energy efficiency schemes and a national 'safety net' scheme. Like Warm Front, the latter would help fuel poor households who miss out on, or cannot wait for local support. Local authorities should be at the centre of this work but we need to be properly funded to do so. Our role at a local level, our ability to establish partnerships and the range of other services we deliver all support this.

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

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

The Government must restate its commitments to meet the fuel poverty strategy and associated milestones. It is particularly important that that the 2020 and 2025 milestones are met, so that the 2030 statutory target remains achievable.

Non-recurrent competition-based funding makes delivery difficult, as new partnerships need to be brokered over short timeframes in order to win funding competitions. Research has clearly shown the challenge involved in seeking to get new projects off the ground and the advantage in having existing activity that can be adapted to absorb and deploy new priorities and resources <https://www.eagacharitabletrust.org/category/projects-and-reports/health-and-fuel-poverty/>

The lack of consistency and reliability of current policies (ECO and WHD) also make partnership work very hard. These policies go through periodic changes, which make forming consistent partnerships very challenging.

A more consistent framework of policy and funding would help to foster a partnership-friendly environment, so that more organisations can work together to find solutions, share learning and work collaboratively to meet targets.

The current piecemeal nature of funding creates competition between local authorities and third sector organisations in providing support for vulnerable residents. Instead we should be pooling scarce resources not fighting over them. BEIS should move away from non-recurrent competition-based funding and instead support longer term area based approaches using the power of the public sector to connect to community sector and private sector organisations to deliver the response needed to address fuel poverty. Local authorities are ideally placed, working in cross sector and multi-authority partnerships to deliver this work.

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

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

The absence of guidance from the Government on how to identify the fuel poor, on the doorstep, must have meant that the ECO expenditure of £2370m (from 2015-19 inclusive) has been inefficiently directed and will be a major reason why so little progress has been made to the 2020 target. ECO should be reformed and aligned with wider public sector activity to leverage greater impact from the funding. More needs to be done on this.

If used to its full potential the Digital Economy Act could do more to make it easier to support households in fuel poverty. Energy companies should be required to identify those households that are over paying or overheating their homes and then, with consent, share details with local authorities or other local advice providers who are funded to provide additional support.

Where an individual is hospitalised with a cold related illness for a second time a referral to local support services should be triggered. We recognise that there is a challenge in creating additional responsibilities for front line health services and central government should fund the delivery of this. It is suggested however that the up-front cost of investment would be offset by savings that could be achieved through reducing future pressures.

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

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

The policy plan has to include a clear statement on how MEEs will be enforced, and resourced, both now and over the years as the minimum standard is improved. The recommendation by the Committee on Fuel Poverty for a national registration scheme for landlords is the first, essential, but minimum step.

Over 40% of the fuel poor live in homes with uninsulated solid walls. Insulating these homes is the best and lasting way to alleviate fuel poverty.

In the meantime, the Government should look to identify solutions to increase the income of these households, such as through the warm home discount, or ensuring that they are receiving the benefits they are eligible for by promoting benefit entitlement checks. Practical advice is also an important stop gap in terms of support for vulnerable residents that can be deployed alongside investment in housing.

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

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

Fully monetise the health benefits of meeting fuel poverty commitments and include these within relevant Net Present Value (NPV) calculations.

The Fuel Poverty Strategy should be fully endorsed and supported by the Department for Health and Social Care and Public Health England (PHE). The health sector must ensure the existing value of preventative health-related fuel poverty initiatives is fully recognised within the upcoming Green paper on Prevention and the forthcoming Green Paper on Social Care in England.

Within the next full three-year Comprehensive Spending Review (CSR), priority for prevention-based activities within the Better Care Fund or its successor must ensure low-income households with long-term respiratory or circulatory health conditions receive assistance for preventative energy home improvements.

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

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

It is critical the Warm Home Discount is extended past its current end date of 2021. The WHD Industry Initiatives is opaque and delivers unclear benefits and should be reformed to be transparent and properly aligned with area-based approaches to fuel poverty.

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

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

Ofgem should give absolute priority to the way the utilities treat low-income and fuel poor households. The cap is useful, but there is still unfairness in many ways, including:

- The way that prepayment tariffs are calculated;
- The way that loyalty is penalised;
- The way that higher levels of consumption result in lower unit costs (if only because the standing charge is spread across more kWh) and we suggest further investigation is needed on whether escalating standing charges could be introduced for higher energy consumers;
- The failure to prevent the build-up of debt;
- The lack of independent consumer representation;
- The lack of clear information on the costs of delivering ECO and the extent to which the utilities are making a profit from this policy

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

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

Better health and fuel poverty related statistics. There is a lack of clear evidence on: the costs to the health service of mental and physical ill health, over the lifetime of the individual, as a result of living in poor quality, energy-inefficient homes.

The relationship between excess winter deaths, hospitalisation and visits to the doctor, as part of this evidence base.

Fully monetising the benefits of meeting the fuel poverty targets, especially the health benefits, which can subsequently be included into future impact assessments. This should include the costs to the NHS of fuel poverty.

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

The Government should be finding the resources and policies to deliver its own fuel poverty strategy. This should not be through regressive obligations.

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