

# Policy Position Paper

## Energy (Regional extent varies)<sup>1</sup>

April 2016

**Everyone should be able to live in a warm, energy efficient home, and the energy market should work in the interests of consumers.**

### Key issues

Fuel poverty in England is measured by the Low Income High Costs definition, which considers a household to be in fuel poverty if 1) it has above average required fuel costs, and 2) were it to spend that amount it would be left with a residual income below the official poverty line.

There are 542,000 older households (where the oldest person is aged 60+) in fuel poverty in England, according to the latest statistics. This equates to about 1 million people aged 60+. There are 2.3 million households in fuel poverty of all ages. The *depth* of fuel poverty is highest among older households; the average fuel poverty gap (between required and median costs) for people aged 60+ is £450.<sup>2</sup>

Cold weather continues to kill. During winter 2014/15 there were an estimated 43,900 excess winter deaths in England and Wales, the majority of which were among older people. At the root of many winter deaths are cold, poorly insulated homes. Guidance published by NICE in 2015 highlights the health implications of living in a cold home – estimated to cost the NHS at least £1.36 billion per year – and calls on health services, housing associations and local authorities to work together to reduce fuel poverty and its associated health impacts.

The previous Government published a fuel poverty strategy in March 2015. It included the target to improve the energy efficiency of as many fuel poor homes ‘as reasonably practicable’ to Energy Performance Certificate (EPC) Band E by 2020, Band D by 2025 and Band C by 2030.

The current Government is reviewing the two major programmes to improve home energy efficiency – the Energy Company Obligation (ECO) and the Green Deal.

---

<sup>1</sup> Energy policy is reserved to Westminster for Great Britain and to the NI Assembly for Northern Ireland, although the promotion of energy efficiency is also devolved to Scotland and Wales. The Smith Commission into Scottish devolution has recommended some devolution on energy supplier obligations and fuel poverty benefits.

<sup>2</sup> *Annual Fuel Poverty Statistics Report*, DECC, 2015

ECO requires larger energy suppliers to install energy efficiency improvements in low-income households and hard-to-treat properties. It is funded by consumers through bills and so is regressive, nor has it reached enough households. The Government has committed to extending a reformed scheme from April 2017 for five years, aiming to reach 1 million homes in England during the 2015-20 Parliament. It will focus the scheme more closely on fuel poor households. Age UK and others have argued that a new scheme should have a whole home and area-based approach. There continues to be a need for a specific energy efficiency scheme for park homes, which struggle to access support under ECO.

The Green Deal provided loans to people to pay for energy efficiency improvements, which are then repaid from the reductions in energy bills. It was aimed at the 'able-to-pay' market rather than people in fuel poverty and also had low take-up for reasons including the rate of interest being too high, a complex application process and low take-up. It was stopped by Ofgem after less than three years in July 2015. The Government is developing a replacement scheme.

Other developments include the decision to extend the Warm Home Discount – an energy bill rebate of around £140 for older, low-income and other vulnerable customers – to 2020/21.

There are also broader consumer issues. The roll-out of smart meters is underway, with the aim of every home in England, Scotland and Wales having one by 2020. The aim is to help consumers see in real time how much energy they are using and what it costs, giving them more control and helping them save money. They are installed by energy companies and are not compulsory.

In March 2016, the Competition and Markets Authority (CMA) published the 'provisional remedies' from its investigation into competitiveness in the energy market. It found that competition is not fully functioning, and proposed a number of remedies, including: creating an Ofgem database of 'disengaged' customers on default tariffs to allow suppliers to target them with offers; scrapping the 4-tariff limit; and setting a provisional price cap for prepayment meter customers.

Ofgem is finalising its review of energy companies' Priority Services Registers, under which 'vulnerable consumers' are given additional support in a power cut. Companies will have to identify and support customers in a range of 'vulnerable circumstances', including dementia, disability, illness and older age. More broadly, Ofgem is moving towards a principles-based system of regulation, raising questions of how they can ensure energy suppliers treat customers fairly.

## **Policy Proposals**

- Age UK wants to see major investment to improve the energy efficiency of the housing stock. This is the best way to tackle fuel poverty and reduce bills.
- The Government should set more ambitious targets. It should commit to bringing 2 million UK low income homes up to EPC band C by 2020 and all 6 million low income homes up to EPC Band C by 2025. To achieve this, the Government should designate energy efficiency as a national infrastructure priority.

- The redesigned ECO should better target low income homes and take a whole-house (rather than single measure) and area-based approach.
- Local authorities are in a unique position to support community-based energy efficiency initiatives, such as local energy champions, and should be empowered and resourced to deliver more of this community activity.
- The Government should develop, pilot and roll out a specific energy efficiency scheme for park home residents.
- The Government should develop a more effective replacement scheme for the Green Deal involving smarter marketing, stronger financial incentives (e.g. lower stamp duty or council tax) and support more conventional loan schemes, including via trusted intermediaries like banks and building societies.
- The Government should ensure landlords meet minimum efficiency standards for private rented homes, and improve tenants' rights to switch suppliers.
- Local health commissioners should recognise the link between cold homes and ill health, and commission a range of services, such as 'boilers on prescription'.
- We welcome the opportunity to improve the energy market provided by the CMA proposed remedies. The database of 'disengaged customers' could be used to identify people needing support. However, Ofgem must protect consumers from being overwhelmed by energy offers, which could lead to paralysis or moving onto a tariff that does not meet their needs.
- Further, the CMA and Ofgem should consider whether the transitional price cap for prepayment customers could be extended to other people in vulnerable circumstances. They should use the wealth of data available – including on Warm Home Discount, Pension Credit and particular needs captured on priority services registers – to identify customers with a need for the transitional price cap.
- More broadly, government, regulators and industry should use this array of customer data – including Cold Weather Payments, local authority lists of people in fuel poverty, the proposed 'disengaged customer' database and EPC data – to identify people at risk and find solutions to high bills and energy inefficient homes.
- The process for switching energy supplier should continue to be made simpler and faster. Consumers should be able to access comparison information and switching services through a range of channels, including telephone.
- All households should be supported to understand how Smart Meters work, including people in vulnerable circumstances. The Government should ensure there are no sales during installation visits.
- The Government should maintain its full commitment to the Cold Weather Payment, Winter Fuel Payments and the Warm Home Discount until the energy efficiency of homes is radically improved.
- Following review of Priority Service Registers, energy companies should better identify and support vulnerable older people during power cuts.

All rights reserved. Third parties may only reproduce this paper or parts of it for academic, educational or research purposes or where the prior consent of Age UK has been obtained for influencing or developing policy and practice.

Age UK  
Tavis House  
1-6 Tavistock Square  
London WC1H 9NA  
T 0800 169 80 80 F 020 3033 1000  
E [policy@ageuk.org.uk](mailto:policy@ageuk.org.uk)

[www.ageuk.org.uk](http://www.ageuk.org.uk)

Age UK is a charitable company limited by guarantee and registered in England (registered charity number 1128267 and registered company number 6825798). The registered address is Tavis House 1-6 Tavistock Square, London WC1H 9NA