

Consumer Focus submission

The Community Energy Saving Programme – Response to Consultation

May 2009

Background

- 1) Consumer Focus is the new statutory organisation campaigning for a fair deal for consumers in England, Wales and Scotland. We are the voice of the consumer and work to secure a fair deal on their behalf. We were created through the merger of three consumer organisations – energywatch, Postwatch and the National Consumer Council (including the Welsh and Scottish Consumer Councils). The new approach allows for more joined-up consumer advocacy, with a single organisation speaking with a powerful voice and able to more readily bring cross-sector expertise to issues of concern.

Summary

- 2) Consumer Focus welcomes the broad aims of the CESP programme; for example the targeting of low income areas, the encouragement of a ‘whole house approach’, the encouragement of measures suitable for ‘hard to treat’ properties, the encouragement of intensive area-based approaches¹ and the engagement of communities and local authorities in the programme. We consider it essential that energy efficiency and fuel poverty policy moves in this direction.
- 3) However, Consumer Focus has serious reservations about the ability of the policies proposed to achieve these broad aims. We are particularly concerned that the consultation does not propose minimum energy efficiency standards for improved properties or even measurement of the impact of CESP on the energy efficiency performance of homes. We consider the setting of such standards essential for a long lasting and sustainable approach to fuel poverty reduction. This was a central feature of the recent fuel poverty bill that was supported by a wide range of poverty and environmental NGOs, trade unions and consumer bodies.
- 4) Consumer Focus considers the proposed scoring and uplift mechanisms very cumbersome and unproven. Minimum energy efficiency standards would make such bonus systems unnecessary. We are also concerned about the intention to make suppliers/generators responsible for driving the programme, rather than accountable public bodies. This is despite the considerable evidence, acknowledged by the Government, which shows consumers distrust fuel companies, including their role in delivering energy efficiency measures. The proposals set out a wide range of laudable policy aims, but undermine these through failing to set out a mechanism for strategic decision-making, instead relying on second-guessing the likely fuel company responses.
- 5) Consumer Focus notes that the definition of target CESP areas mean that very few, if any, rural properties will benefit, yet fuel poverty is higher in rural areas than urban in England, Scotland and Wales. Similarly, social housing is the dominant tenure in the CESP areas, yet fuel poverty is more closely associated with the private sector. Only 7% of properties in the target CESP areas are ‘off-gas’, yet 34% of fuel poor households live in ‘off-gas’ properties, compared to 12% of ‘non-fuel poor’ households. We are disappointed about the failure to propose a mechanism for ensuring a fair spread of CESP areas across Scotland, Wales and the different English regions. Strategic oversight of CESP by Government would have ensured equity across different geographies, tenures and fuel types.
- 6) Consumer Focus is concerned about the failure to allocate specific funds for community involvement or coordination of programmes despite the proposals describing the ‘community approach’ as a central feature of CESP. We are disappointed that the consultation only puts forward one single approach towards meeting the CESP objectives. We consider this represents a missed opportunity to trial a variety of approaches which could then be assessed for wider application in the future Heat and Energy Saving Strategy (HES).
- 7) In summary, we consider the proposals, if implemented as set out, will help stimulate the installation of solid wall insulation and gas boiler replacements in the homes of ‘income deprived’ households living in social housing in a

¹ Consumer Focus also considers it important that non-area based programmes, for example those based on referral systems, run alongside area programmes.

small number of urban areas. Fuel companies will use existing partnership structures, such as Warm Zones, which have already secured funding to carry out essential delivery functions (coordination, doorstep assessment etc). This likely, limited scenario will undoubtedly have benefits. However, it does not represent the 'whole-house', intensive area-based approach to tackling fuel poverty in hard to treat homes that CESP purports to represent. It therefore has limited value towards meeting CESP's aspiration to provide a model for a future more extensive programme.

Summary of recommendations for improving CESP

- 8) We recommend the CESP proposals are amended in the following way:
- 1) A target minimum EPC standard for improvement, ideally EPC band B, is set and used to replace the complex and unproven uplift system. This would help 'fuel poverty proof' homes improved and encourage the installation of a wide range of measures suitable for hard to treat properties, such as heat pumps, solar thermal panels and biomass boilers as well as solid wall insulation and gas boiler replacements. It would also entail the measurement of the energy efficiency performance of homes before and after improvement.
 - 2) CESP is set up as a 'central pot' for distribution to local areas.
 - 3) The Government takes responsibility for the strategic leadership of CESP and local authorities, working with local partners, are given responsibility for delivery in their areas.
 - 4) Funding is allocated for voluntary and community group involvement, to include outreach with vulnerable households, welfare rights advice and support to minimise consumer disruption.
 - 5) Funding is allocated for doorstep assessment and coordination and integration activities, e.g. with housing repair programmes (re-wiring, plumbing, storage, re-decoration etc).
 - 6) CESP areas are selected according to a combination of high levels of fuel poverty and high levels of solid wall and off gas housing.
 - 7) There is a fair distribution of rural and private properties in the CESP areas selected and non area-specific initiatives are set up for hard to treat properties occupied by low income households.
 - 8) There is a fair distribution of CESP areas across Scotland, Wales and English regions. CESP should work with the existing delivery structures in the devolved countries.
 - 9) A variety of approaches to delivering whole-house and intensive action are trialled with a view to subsequent adoption by HES. The Government should commission an independent evaluation to assess the effectiveness of the different approaches.

Detailed response to questions

Statutory Instrument and Impact Assessment

Q1: Comments on the draft Statutory Instrument

- 9) Consumer Focus would like the draft SI amended to reflect the alternative approach we propose, viz:
- The Government takes responsibility for deciding which areas receive CESP funding and makes sure that they consist of a mix of tenures, urban and rural areas and 'off-gas' and 'gas-connected' properties; and that there is a balanced mix across Wales, Scotland and English regions
 - Local authorities and their partners are given responsibility for leading the delivery of CESP in the selected areas
 - Target minimum SAP or EPC standards are set for homes improved in CESP areas
 - The energy efficiency performance of properties is measured before and after improvement
 - Specific funding is allocated for third sector involvement and for coordination and integration activities

- An element of experimentation is introduced to trial a variety of approaches that might be implemented in the eventual long term programme.

Q2 and Q3: Comments on the Impact Assessment and analysis of costs and groups affected

- 10) The CESP Impact Assessment (IA) suggests that CESP is designed to focus activity on 'hard to treat' homes, implying that it is intended to encourage activity in 'off-gas' areas as well as areas with high levels of solid wall properties. However, there is a very low proportion of 'off-gas' homes in the target areas (7%) and fuel companies may well choose to ignore these (CSE, 2009). The target areas also consist of a high proportion of social housing (51%, compared to 19% in all of England) (CSE, 2009). This is likely to lead to fuel companies focusing CESP activity on social housing, particularly given that it is relatively straightforward to set up partnership arrangements with social housing providers.
- 11) The IA presents four options for CESP policy with the first and fourth option representing a 'do nothing' approach and a variation of the current CERT approach respectively. Of the second and third options, the IA makes it clear that it favours the second option, the so-called 'community approach', over the third option, described as the 'prescriptive approach'. However, despite the derogatory connotation of the term 'prescriptive', Consumer Focus considers there is considerable merit in a progressive, more interventionist approach.
- 12) The IA sets out a number of arguments against the 'prescriptive approach'. These include a concern that it will stifle the 'creativity and innovation of the private sector', result in a lower number of households assisted and lower CO₂ savings than the preferred 'community approach' and reduce the likelihood of 'buy-in' from 'cooperative communities'. However, the IA does suggest that the 'prescriptive approach' results in the highest average household fuel bill savings of the three intervention options evaluated.
- 13) Consumer Focus considers that the list of 'negatives' outlined in the 'prescriptive approach' contradict the list of 'positives' presented for the 'central coordinating body' described in the 'delivery mechanisms IA' that accompanies the HES consultation. The 'positives' presented in the IA include:
- The Government takes responsibility for strategic decision-making, e.g. setting overall targets and direction
 - It will allow strategic allocation of spending due to the requirement that 'suppliers pool funding for energy efficiency measures'.
 - It is likely to result in a higher level of consumer trust in energy information provided by the central body compared to information provided by fuel companies. This in turn is more likely to encourage changes in consumer behaviour.
 - It will provide a single body for local authorities to liaise with, rather than the current situation of multiple bodies. This in turn will facilitate improved local authority engagement with delivery, as well as increased involvement of community groups.
 - The Government has more control over the distributional impacts of energy efficiency policy and can therefore tackle fuel poverty more effectively.
 - It will increase the effectiveness of finding targeted households and hence will lead to lower search costs.
 - It has greater potential to initiate large scale CHP or district heating.
 - It has greater potential to promote the development of ESCOs.
 - It is likely to improve the economies of scale in information coordination.
- 14) Consumer Focus strongly supports the broad advantages of a Central Coordinating body presented by the HES IA. We consider the strong interventionist approach inherent to such a body can encourage innovation and flexibility, while still ensuring equity issues are paramount. We therefore find it puzzling that the CESP IA appears to take an entirely opposite view, given its strictures against the 'prescriptive approach'. Given that CESP is intended to "provide a bridge to the future", Consumer Focus considers the Government should use CESP to pilot the strategic approach to decision-making advocated by HES. Alternatively, the Government should set up a parallel project to run alongside CESP to trial the centrally coordinated approach. This would firmly place

responsibility for energy efficiency policy and delivery with the public sector, where it properly rests.

Setting the obligation

Q4: CESP obligation split between supplier and generation companies

15) Consumer Focus does not have any specific comments about the proposed split, other than to observe that consumers will still ultimately pay for CESP and that generators do not have any track record of delivering energy efficiency programmes. The latter issue is of little consequence under Consumer Focus's proposal that fuel companies (both generation and supply) provide funding to a central energy efficiency pot for allocation by Government.

Q5 and Q6: Exemptions for small companies and size of generator obligation

16) Consumer Focus agrees with the proposals on these matters.

Partnership working

Q7, Q8 and Q9: Proposals on the role of local authorities and partnerships

17) Consumer Focus agrees that local authorities "should be at the heart of CESP activity". However, the consultation argues against defining what the local authority role should be. The only stipulation proposed is that fuel companies produce a supporting letter from the relevant local authority as part of their initial plans for approval by Ofgem. It suggests that the letter might confirm the local authority was involved in the planning stage and was content with the implementation methods.

18) Consumer Focus is concerned that the proposals could result in only minimal, tokenistic local authority involvement, despite the consultation's assumption that a successful CESP bid will require active local authority and community engagement. It suggests that Ofgem will have to decide whether local authority engagement is 'real'. Consumer Focus does not consider this type of decision lies within Ofgem's area of expertise. Under Consumer Focus's model, the relationship between fuel companies and local authorities is reversed. Local authorities or other appropriate local consortia lead the delivery of CESP projects, working in partnership with fuel companies who provide CESP funds and other support.

19) In this respect, Consumer Focus endorses many of the recommendations² of the evaluation of the Warm Zone pilots (CSE & NEA, 2003 & 2005):

- Warm Zones (and by implication other area-based fuel poverty/energy efficiency initiatives) need to build a close partnership with their local authorities in an extended set-up period.
- Considerable time is required for preparatory and development activities prior to Zones going 'live' (the 'set-up period'). These include partnership building, setting up coordination and management structures and ensuring integration with related services such as welfare rights advice and housing repair (and that these are able to respond to the increased demand resulting from Zone activity).
- The area-based, high impact approach works best when there are clustered concentrations of fuel poverty within a locality. This suggests the approach is more appropriate for urban areas, although subsequent Zone experience suggests the approach can work in rural areas, providing there is recognition that this entails increased costs.
- Warm Zones (and other area-based initiatives) should form part of a local strategic approach to eliminating fuel poverty. This requires:
 - i) Assessment of fuel poverty need

² We would add that target minimum energy efficiency standards should form a central element of the local strategic approach recommended.

- ii) Assessment and acquisition of resources required, identification of gaps, regular review of resource requirements
- iii) Allocation of resources according to assessment results
- iv) Planned and coordinated delivery of measures packages
- v) Follow up and monitoring of estimated fuel poverty impact
- vi) Knowledge of all energy efficiency programmes delivered in the local areas, including those in which the Zone has little involvement
- vii) Integration with local affordable warmth strategy
- viii) Integration with related policies and strategies, e.g. Community Strategy, Housing Strategy, sustainable development, social inclusion, health inequalities.

20) Consumer Focus considers that local authorities or other local consortia are best placed to put in place the arrangements for successful CESP projects. It also notes that many of the support activities described above do not translate into direct carbon savings, yet still cost money. There is therefore a danger that such activity is 'scrimped' without the allocation of specific funding. We are not convinced that existing local authority incentives, such as the fuel poverty performance indicator NI 187, are sufficient to ensure these support activities take place. We also do not consider NI187 will provide sufficient synergy between local authority and fuel company CESP objectives.

21) Consumer Focus considers central Government, rather than Ofgem, should make sure local projects have put in place the necessary arrangements before giving the go-ahead for CESP funding. Consumer Focus accepts that far-sighted fuel companies will want to make sure strong local partnerships are in place to deliver CESP projects. However, the proposals mean that fuel companies will ultimately have control over the programmes delivered, rather than locally accountable authorities or consortia.

22) Given the short time scale before CESP projects are expected to go 'live', fuel companies will inevitably gravitate towards existing, funded partnerships, rather than spend time and money on helping set up new partnership structures. This will penalise areas with high levels of need but minimal area-based partnership structures. Scotland, for example, has little experience of area-based programmes. Thus, the CESP experience will not provide any useful evidence of the work and resources required to carry out this critical development and set-up phase. This will undermine its value as a "bridge to the future", given that widespread area-based approaches are regarded as central to the future HES programme.

The 'whole-house' approach

Q10: Should CESP target fewer homes but provide greater CO₂ and fuel bill savings targeted?

23) Consumer Focus accepts that for a given budget, there is a trade-off between quantity and depth. We consider it essential that energy efficiency policy starts focusing on the installation of more extensive measure packages to individual properties. We therefore agree with the broad principle posed in this question, although we note that most existing homes in Britain will eventually require extensive improvement (as is recognised by the HES proposals).

Questions 19 and 20: Will the proposed bonus and scoring systems encourage a 'whole-house' approach and maximise fuel bill savings?

24) Consumer Focus considers the proposed bonus and scoring system for encouraging multiple measures and installation of hard to treat measures complex and unproven. There is no evidence that it will provide the necessary incentives and might lead to distorted projects and unforeseen consequences. We note that many stakeholders that took part in the consultation events expressed concerns about the system, particularly given that no review mechanism is proposed should the system not achieve the desired outcomes in practice.

- 25) Many stakeholders also expressed disappointment that the proposals do not intend to measure the impact of CESP on SAP or EPC values. Consumer Focus considers it essential that an accurate property database is set up which provides detailed information on the property characteristics of the nation's homes. Such a database could build upon the EST's existing Home Energy Efficiency Database. Property-level information of this nature is critical for ensuring the systematic improvement of the country's housing stock, the long term aim of the HES proposals. It could also help ensure consumers are actively engaged in energy efficiency matters by providing useful information on their properties. CESP could have made a valuable contribution towards populating such a database.
- 26) Consumer Focus considers its alternative approach of setting target SAP or EPC standards for improvement a much more straightforward approach than the bonus and scoring system. This will require the measurement of SAP or EPC at least before improvement is carried out (the post-improvement position can be modelled). The target SAP/EPC approach would have the following advantages:
- It would by its nature require a 'whole house' approach – in this respect it would result in a much greater certainty of outcome than the proposed bonus and scoring system
 - It would determine the measures required to reach the target standard
 - It would ensure measures suitable for hard to treat properties are installed
 - It would produce dramatic savings in fuel bills and carbon
 - A stringent target standard, such as EPC B, would eliminate fuel poverty for the vast majority of households (assuming optimal occupancy and households are claiming all the benefits to which they are entitled)³
 - It would help protect low income households against future price rises (often referred to as 'fuel poverty proofing'), including those resulting from levies to meet climate change objectives, e.g. the supplier obligation itself, the renewable heat incentive and feed in tariff, the Renewable Obligation and the EU ETS.
- 27) Consumer Focus does not accept that possible consumer refusal of more intrusive measures, such as internal wall insulation, represents a major argument against a target SAP/EPC standard. First, the active engagement of trusted intermediaries, such as voluntary and community organisations (a desired CESP objective), would help reduce consumer resistance. Second, our proposal to allocate funding⁴ for related activities such as re-decoration, repairs, restoring fittings, storage etc would also reduce consumer resistance. Third, the street by street approach is very conducive to the 'word of mouth' effect in disseminating the value of energy efficiency improvements. Finally, if refusals still take place, fuel companies would not be penalised for the resultant decrease in carbon savings achieved under our model of local leadership of CESP projects.
- 28) Consumer Focus notes that a wide range of existing energy efficiency and fuel poverty initiatives use target minimum EPC/SAP standards as a central driver of their programmes. Many social housing providers have adopted this approach to their improvement programmes. This in part explains why most have improved their stock considerably beyond the Decent Homes Standard, with many now achieving standards in the low to mid 70s on the SAP scale. Similarly, the Warm Front programme aims to improve properties to SAP 65, although currently only 31% of improved properties achieve this fairly modest target due to Warm Front's inadequate maximum grant (Eaga, 2009). The current Welsh Assembly Government consultation on a national energy efficiency and savings plan is "proposing to base our support packages on EPC ratings – aiming to get properties up to a minimum Energy Performance Certificate band", supplemented with recommendations from experienced energy assessors (it suggests later in the consultation that band C may be an appropriate target) (WAG, 2009)⁵.

³ Research commissioned by Consumer Focus found that the implementation of a seven year national energy efficiency programmes with an EPC band B target would take 83% of fuel poor households in England out of fuel poverty (Guertler et al, 2009).

⁴ Such funding would not necessarily have to come out of CESP. However, it is important that specific funding is allocated for these support activities for integration with works carried out under CESP.

⁵ The Assembly proposes a few caveats to this approach. One relates to technical limitations inherent to the current rdSAP methodology that underpins the EPC system. The other refers to a grant cap based on cost effectiveness. Consumer Focus would like to see a degree of flexibility in caps to ensure that the full potential impact of energy efficiency measures is maximised.

29) Consumer Focus very much supports the approach of social housing providers and the Welsh Assembly and would urge the Government to set a rigorous EPC or SAP standard in its CESP proposals.

High efficiency boilers and other measures permitted

Questions 11-13: boiler replacement and gas central heating

30) Consumer Focus recognises that the replacement of low efficiency with high efficiency boilers results in a substantial improvement in SAP, fuel bill savings and reduction of households' vulnerability to fuel poverty. The installation of full gas central heating systems has a similar impact. We note that Warm Front, HEES, the Energy Assistance Package, Decent Homes and Housing Quality programmes are currently the main providers of heating improvements, rather than CERT and its predecessor EEC. The inclusion of this measure and its envisaged high take-up represents a significant new development in 'supplier obligation' policy.

Question 15: Proposed list of measures

31) As stated above, Consumer Focus advocates the setting of target SAP/EPC standards for improvements carried out under CESP. This entails the provision of whatever mainstream measures it takes to bring about the improvement required. Boiler replacement and gas central heating would provide a substantial element of improvement packages under this approach, as would many of the other measures listed in Table 2 of the consultation. Consumer Focus suggests adding only two additional measures to this list, namely double glazing and biomass boilers. We also suggest that combined internal and external wall insulation is added. This may provide an optimal solution for properties to which external wall insulation is unsuitable for frontages.

32) Consumer Focus notes that there is no guarantee that CESP will result in a high level of solid wall insulation jobs carried out, particularly given the relatively low level of solid wall properties in CESP areas (27%). If the Government intends to use the scoring system proposed (rather than our alternative approach of target SAP/EPC values), we recommend that targets are set for solid wall insulation jobs carried out under CESP. Our proposal for a possible alternative indicator of low income housing (lowest 3 deciles plus >50% solid walls - see para 50) would also ensure a much higher level of solid wall insulation work.

33) Consumer Focus does not consider the DEA qualification suitable for the provision of home energy advice. The provision of advice is about communication and interaction with consumers, potentially recognising other advice and information needs and tailoring advice to different consumer groups. The DEA qualification relates to the physical inspection of properties rather than provision of advice. Consumer Focus would welcome the opportunity to contribute towards the development of the National Occupational Standard for advice. We consider it important that the Standard addresses the needs of low income and vulnerable consumers and that the resultant advice is communicated in a way that is relevant to the individual household.

34) Consumer Focus considers it essential that advice and home energy audits are provided by independent bodies. Consumers will not trust information that is seen to be linked to companies, particularly if companies attempt to use 'advice' provision as a means of promoting other company products. For example, the Ofgem Consumer First Panel concluded "There is a real lack of trust in energy companies to provide consumers with reliable information that will help them reduce their bills" (Ofgem, 2009). Similarly, Consumer Focus Scotland research found that consumers lacked trust in energy suppliers and did not want them to provide energy efficiency information (MORI, 2009).

35) Given the constraints of the consultation's proposals, there is a strong case for optimising resources from existing programmes and using CESP to 'fill the gaps'. This would suggest:

- Warm Front, HEES, EAP, Decent Homes Standard, Housing Quality Standards: boiler replacement and gas central heating installation
- CERT: cavity wall insulation, loft insulation

- CESP: solid wall insulation, solar thermal, heat pumps and biomass boilers (the heat measures become more relevant if an alternative approach to targeting than that proposed in the consultation is adopted)

36) The above approach to optimising resources from different funding sources would require coordination and management input. It becomes less necessary if CESP is set up as the sole funding source for all the necessary improvements required⁶. However, the restriction of CESP to complementary measures to existing programmes is an approach that could be trialled. It would free up CESP resources for the more expensive measures that mainstream programmes have hitherto not provided. The value of this will depend on the direction of long term Government policy. If the intention is to bring all existing energy efficiency programmes into one 'central pot', the need for coordination of different energy efficiency programmes becomes less necessary (although coordination is still required with related services such as housing repair, welfare rights and community support). If the current situation of parallel energy efficiency programmes continues for the foreseeable future, it would be useful to trial an approach that optimises the contribution of different funding sources towards meeting a defined objective.

Question 16-18: Inclusion of district heating projects

- 37) Consumer Focus welcomes the inclusion of district heating projects within CESP measures. However, we consider there are a range of difficulties in using CESP to encourage district heating:
- It requires considerable time to develop and implement district heating. It is therefore unlikely CESP will deliver high levels of carbon savings within the three year timescale.
 - District heating normally requires a mix of domestic and commercial heat loads. It is unlikely that the target CESP areas will include such a mix.
 - Many district heating schemes are run by non-profit making bodies who are able to cross subsidise between different consumer groups (e.g. domestic and commercial). Fuel companies will wish to maximise income and are less likely to include such cross subsidies.
 - District heating management companies typically absorb 10% capital expenditure of projects – fuel companies are less likely to do this.

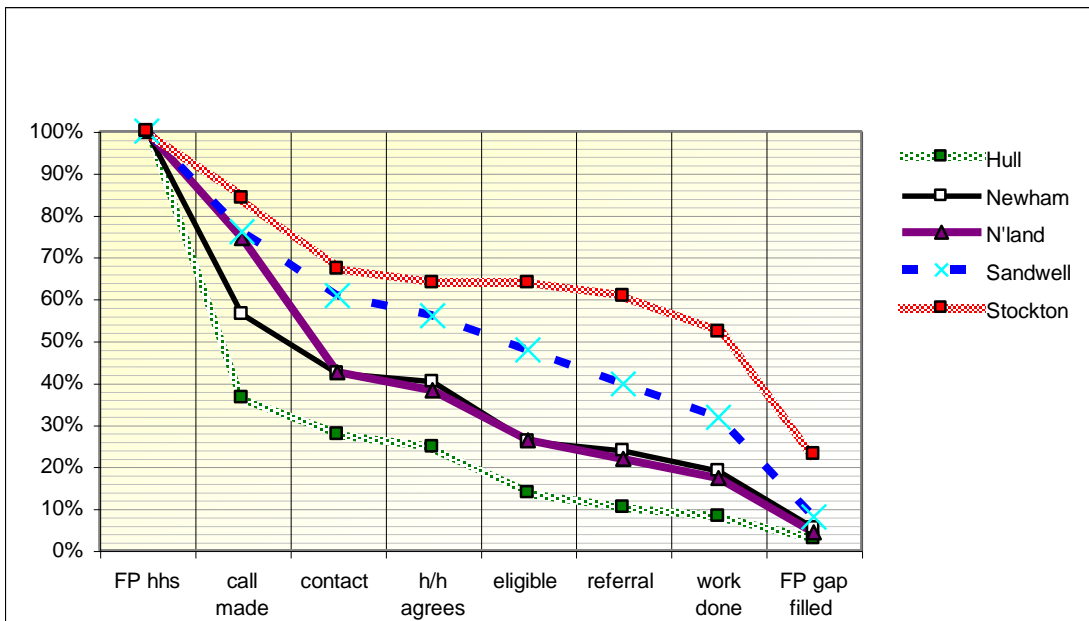
Delivering intensive action in specific areas

Questions 21 and 22: Potential scoring options for encouraging intensive action

38) Consumer Focus agrees with the objective of encouraging intensive action within a targeted area. However, we find it difficult to comment on which of the three options presented are likely to optimise intensive action. We note that all are theoretical and unproven. We also note that it is very difficult to achieve a high level of improvement within target areas. For example, the graph overleaf, taken from the final evaluation report of the pilot Warm Zones, illustrates the difficulty of reaching target households and implementing measures in their homes (CSE & NEA, 2005).

39) The graph shows that even in the most successful zone, Stockton, contact was made with only 70% of target households. With respect to conversion of contacts to works carried out, the proportion is even lower at 53%. The proportion of households removed from fuel poverty through intervention was particularly disappointing, with only 22% achieved in Stockton and a much lower proportion in the other zones. It is possible that CESP projects will achieve a higher success rate, given that they will not have to apply eligibility criteria for CESP measures (but will if they have to lever in Warm Front or priority group CERT resources) and will have access to more extensive measures than those available to the pilot Zones, e.g. solid wall insulation.

⁶ However, this will give rise to the risk of 'double counting' carbon reductions from installation of the same measure to CERT and CESP, which Ofgem accepts there is no simple method of preventing (other than relying on the honesty of the reporting fuel supplier).



40) It should be noted that Stockton and the other pilot Zones put considerable resources into outreach activities, support for householders, provision of a full welfare rights service and follow up activities. However, the Warm Zone experience suggests that it is very difficult to achieve a high level of conversion of 'contacts' to 'jobs done' and even more difficult to achieve fuel poverty reduction.

41) Consumer Focus concludes that it would be far better to give local authorities or other local consortia responsibility for leading CESP projects, plus targets for the proportion of households contacted and works carried out. They will be able to build upon the experiences of the pilot Warm Zones (as the later Warm Zones themselves have) and achieve a high success rate in terms of works carried out and fuel poverty tackled. The approach would lead to far greater certainty of outcome than the proposed 'second guessing' of bonuses which the consultation hopes will incentivise intensive action.

Low income housing

Q23: Should CESP use the income domain of the IMD to define target areas?

42) Consumer Focus notes that while there is obviously considerable overlap between low income and fuel poverty, there are significant differences. They can be summarised as follows:

- Fuel poverty is closely associated with private housing, whereas income deprivation is closely associated with social housing
- Fuel poverty is higher in rural areas than urban, whereas the reverse is the case for income deprivation
- A high proportion of single households, particularly single older people, are fuel poor while large families do not represent a significant group of the fuel poor
- Large families represent a large proportion of the 'income deprived'; single older people, while still significant, represent a lower proportion of the 'income poor' than they do in the 'fuel poor' population.
- The IMD 'income domain' is effectively a measure of households claiming means tested benefits. In 2006, 45% of fuel poor households did not claim means-tested benefits or tax credits below the income threshold (BERR, 2008).

- 43) Some of these differences may in part relate to the 'official' definition of fuel poverty which does not equalise incomes (unlike the income deprivation definition) and uses a 'before housing costs' measure of income.
- 44) Nevertheless, the urban/rural and social /private housing contrasts between fuel poverty and income deprivation are likely to be 'real'. The use of the bottom decile/15% of the IMD income domain for defining CESP target areas therefore presents a number of problems for identifying high levels of fuel poverty. Rural areas in particular lose out, as do 'off-gas' areas. This has caused considerable concern in Wales, Scotland (with their large rural populations) and rural areas of England. It is notable that fuel poverty is higher in rural areas than urban in all three countries.
- 45) More generally, area-based policies tend to be less suitable for rural areas than urban because in general deprivation is more dispersed and displays less concentration than in urban areas. However, the CSE/University of Bristol fuel poverty indicator suggests that there are some area concentrations of rural fuel poverty in England and Wales, particularly in more remote rural areas and former mining villages. It is possible that area-based policies may work in these rural areas, providing a fuel poverty indicator is used to define them. A major reason for the high levels of fuel poverty in rural areas is that 'hard to treat' housing is much more extensive in rural areas than urban (Baker et al, 2008). This is particularly the case for 'off gas' properties but also for solid wall properties.
- 46) The use of the bottom 10%/15% of the IMD income domain therefore does not reflect the national picture in terms of severity of fuel poverty or hard to treat housing. The following statistics for 2006 (England only) illustrate the mismatch (statistics taken from CSE, 2009 and BERR, 2008):
- 51% of properties in the target areas are social housing, whereas social housing accounts for 16% of the fuel poor
 - 2 of the 3249 Lower Super Output Areas (LSOAs) in the CESP areas are categorised as 'villages, hamlets & isolated dwellings', accounting for 0.1% of the total household population in these areas
 - Yet 21% of households in 'villages, hamlets & isolated dwellings' are fuel poor (accounting for 18% of all fuel poor households), compared to 10% of urban households
 - 39% of properties in 'villages, hamlets & isolated dwellings' are solid walled, compared to 24% of urban properties (all areas)
 - 59% of properties in 'villages, hamlets & isolated dwellings' are 'off-gas', compared to 9% of urban properties
 - 48% of fuel poor households live in solid wall properties (compared to 29% of those not fuel poor) and 34% of fuel poor households live in 'off-gas' properties (compared to 12% of those not fuel poor).
 - With respect to the target CESP areas, 27% of properties are solid walled and 7% are 'off-gas'.
- 47) Ideally, CESP target areas would be based on an updated version of the CSE/Bristol University fuel poverty indicator (the current version is based on 2003 and 2004 data in England and Wales respectively). However, the update is not yet available and there are no plans to produce a version for Scotland.
- 48) The issue of identifying target areas is less problematic under the Consumer Focus approach in which central Government plays a more interventionist role, working with local authorities or other local consortia. Thus, local consortia can present arguments for selecting their areas through the provision of local data and knowledge, together with other arguments to support their case. The Government would select the successful areas according to a range of transparent criteria, e.g. fair spread across Scotland, England and Wales; fair spread across urban and rural areas; demonstration of local need; demonstration of strong partnership arrangements; integration with related services (welfare rights, housing repair etc); strong community involvement etc.
- 49) The consultation proposes that fuel companies select the target CESP areas from a larger list of areas defined by an existing deprivation indicator. Given this constraint, the challenge is to identify an indicator that:
- Covers England, Scotland and Wales
 - Is readily available
 - Ideally, also identifies high levels of hard to treat housing.

- 50) One possible option is the use of the IMD 'indoors living environment deprivation' sub-domain of the 'Living Environment Deprivation Domain', since this might relate closer to fuel poverty. Another possible option is to use a combination of the IMD income domain and a solid wall indicator. For example, an indicator that combines the 'lowest 3 deciles on the income domain' with an indicator consisting of 'LSOAs containing in excess of 50% solid wall properties' would result in the following characteristics (CSE, 2009):
- 1.5m households
 - 75% of properties with solid walls
 - 24% social housing
 - 0.4% of properties in 'villages, hamlets and isolated dwellings'
 - 7% of properties off-gas
- 51) The 'lowest 30% income domain/>50% solid wall' indicator would still not address the issue that target areas contain few rural and 'off-gas' properties. However, it would focus activity towards solid wall properties and private housing (as well as social), while still reaching low income households. It may therefore have some value in demonstrating the value of using an area-based approach towards installing solid wall insulation in mixed tenure, low income areas.
- 52) If the Government adopts this approach, Consumer Focus suggests a parallel initiative (to CESP) is developed that focuses more on 'off-gas' and rural properties. It is possible that non-area based approaches are more appropriate for such properties. An initiative similar to the referral-based system that is central to the Energy Assistance Package in Scotland is one possible option.

Questions 24 &25: Costs of measures

- 53) Consumer Focus agrees that households in CESP areas should not contribute to the costs of measures. However, it is possible that fuel companies may try to secure funding from local authorities and social landlords towards the cost of measures. This may allow CESP money to be further spread. However, our concern is that CESP projects are already likely to require a range of additional costs not borne by CESP funds, e.g. welfare rights, housing repairs, re-decoration, storage, replacing fittings, coordination etc. It would therefore seem unreasonable for local authorities and social landlords to also contribute towards the costs of measures. If the Government expects fuel companies to meet the full cost of measures Consumer Focus considers it should legislate accordingly.

Interaction with other initiatives

Questions 26 to 28: deciding how to integrate different programmes

- 54) Consumer Focus has already commented on possible options for use of CESP funding (para. 35). One option is for CESP to fund all works – a possible model for the long term HES. Alternatively, it can help integrate a range of different programmes, including CERT, Warm Front (and devolved equivalents), Decent Homes (and devolved equivalents), as well as housing repair, welfare rights services etc. It is obviously important that the Government agrees with the devolved governments how CESP might play such a coordinating role in the devolved settings.
- 55) Consumer Focus accepts that there should be a degree of flexibility in local partnership working but argues that this is most likely to happen under a model in which leadership is provided by local organisations, rather than by fuel companies driven by carbon reduction targets (albeit shaped by complex bonus systems). Again, we repeat the lesson of the Warm Zone pilots that coordination of programmes takes considerable time and effort. We also consider it essential that specific funding is allocated for this activity and for involving local community and voluntary organisations. Such funding does not necessarily have to come out of CESP resources.
- 56) We consider the community and voluntary sectors can play a critical role in ensuring the success of CESP projects, for example, in outreach, providing reassurance, support in dealing with 'hassle', explaining the value of works carried out, explaining how heating systems etc work, welfare rights advice, translation, liaison with other

service providers etc. This requires resources, including resources for capacity building.

Programme timing

Q29: Timing of CESP

57) Consumer Focus considers evaluation activities should start early on in the CESP process and be used to inform possible wider roll-out of the 'area-based approach'. We consider area-based approaches should play a central role in the delivery of energy efficiency programmes, providing non-area programmes run alongside these. The latter is important for rural areas and for priority households who may otherwise not have received works until later on in the timetable under area schemes. We therefore consider the widespread implementation of area-based approaches should not have to wait until the end of the CESP period in 2012. The evaluation of CESP and other HES pilots (see para 58 below) should therefore be constructed to inform possible roll-out of area schemes well before 2012.

Evaluation of CESP

58) While the consultation does not make reference to an evaluation of CESP, the Government made it clear during the consultation roadshows that an in-depth evaluation would take place. For example, in response to the widespread criticism that CESP would not measure EPC/SAP, it suggested the evaluation would do this for a sample of properties improved under CESP.

59) Consumer Focus considers the evaluation could play an important role in informing future policy. However, it would have much greater value if CESP was used to trial a variety of approaches, rather than the single approach proposed in the consultation. Alternatively, the Government should develop a variety of pilots that could trial alternative approaches to CESP. Consumer Focus considers it essential that the Government brings forward proposals for such trials in preparation for possible adoption in HES. These should be of a similar scale, at least, to the CESP programme. We suggest the following different factors and alternatives approaches are investigated:

- Use of a target EPC/SAP standard for improving properties and compare this with the proposed bonus system in CESP
- Variations of the proposed CESP bonus system to see which is optimal for achieving the desired outcomes
- Setting up area-based schemes which deliver 'whole-house' solutions under the leadership of local authorities or other local consortia. These could be compared with the fuel company leadership model proposed for CESP.
- Giving CESP a clear coordination remit, while restricting funding to only cover measures not funded under other programmes. This could be compared with the current proposal to offer a wide range of measures.
- Establish whether CESP or other area-based approaches will encourage the installation of suitable measures in 'off-gas' properties.
- Establish whether CESP or other area-based approaches can work in rural areas and comparing this with alternative approaches, e.g. a referral-based system.
- Establish how CESP or other area-based approaches can encourage the installation of district heating.
- Assess the impact of CESP and other area-based approaches on levels of fuel poverty, fuel bill savings, comfort-taking and actual (rather than modelled) carbon savings.
- Assess the resources required to carry out CESP support activities, such as outreach, coordination with other programmes, welfare rights, voluntary and community sector engagement.
- Assess the various delivery and procurement models described in the HES delivery workshop held by EEPfH on 6 May 09 (CESP, private sector coordinating body, National Grid, central delivery agency, local authority, regional franchise, white certificates etc). Consumer Focus considers it particularly important that the different models are assessed for levels of consumer and community engagement.

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