

18 November 2011

Hills Fuel Poverty Review Secretariat
c/o Department of Energy and Climate Change
3 Whitehall Place
London SW1A 2AW

Dear Professor Hills,

Consumer Focus response to interim report of the Fuel Poverty Review

Consumer Focus welcomes the opportunity to respond to the interim report. Our engagement with the review is an important priority for our fuel poverty work over 2011/12. We consider ourselves well placed to respond to the interim report's recommendations:

- We (and our predecessor bodies) have played an active role in the Government's Fuel Poverty Methodology Group, established following the previous 2004/05 peer review of the methodology for measuring fuel poverty¹
- We represent low income consumers on a number of fuel poverty groups, for example the Fuel Poverty Advisory Group, Warm Front Delivery Board, Public Utilities Access Forum, Energy Efficiency Partnership for Homes, NEA regional forums, Eaga Charitable Trust (as a trustee)
- We chair and support the End Fuel Poverty Coalition (EFPC), a broad based coalition of poverty, environment, consumer and membership groups. The EFPC has also submitted a short response, agreed by supporters of the EFPC, to the consultation
- We have commissioned a wide range of influential fuel poverty research reports, including several specifically commissioned to inform the review

General comments

Consumer Focus welcomes the interim report's findings. The depth and breadth of the analysis is commendable. It addresses a wide range of issues that affect our understanding of fuel poverty and should provide a valuable reference for many years to come.

We welcome the review's recognition of fuel poverty as a distinct problem, rather than a facet of poverty in general. We are pleased that our contribution to this understanding, in terms of conceptualising the issue, is recognised by the review². We also welcome the review's recognition of the close association between fuel poverty and ill health. We hope that the final report of the review develops this understanding into specific proposals for the health sector (both NHS and public health).

We welcome the review's conclusion that the objective within the Warm Homes and Energy Conservation Act 2000 is still robust, namely the ambition to make sure that all low income households can afford, as far as reasonably practical, to keep their homes warm at an affordable cost. We consider the Act's requirement that fuel poverty is eradicated by 2016 should inform all relevant Government policies, for example on energy, homes, health and welfare.

¹ Sefton T & Chesshire J (2005), *Peer review of the methodology for calculating the number of households in fuel poverty in England*, DTI

² Fahmy E (2011), *The definition and measurement of fuel poverty*, Consumer Focus

We comment on the proposed new definition of fuel poverty in our answers to the consultation questions below. However, we consider it important that the Government continues to collect statistics on the current definition in the future. This will provide a consistent trend from 1996 and allow the assembling of UK-wide figures compiled of statistics from the devolved administrations, where they are not proposing to amend their definition.

The following addresses each of the consultation questions in turn.

1 Do you agree with the conclusion that the problem of fuel poverty is, as set out in WHECA, centred around the combination of low incomes and required energy costs above reasonable levels?

Consumer Focus supports the report's proposal to restrict the definition to households on low incomes. We support the proposed definition of 'low income'. In broad terms, we do not consider this represents a major change from the current definition. For example, we note that only 13.3 per cent of fuel poor households on the full income definition and 12.0 per cent on the basic income definition are in the 4th to 10th income deciles, with over half of these being in the 4th decile³.

We also support the proposal to define fuel poverty as a feature of those low income households that have required fuel costs above a certain 'reasonable level'. We address the issue of how to define 'reasonable level' later.

2 Does Chapter 3 set out a comprehensive analysis of health and well being impacts associated with fuel poverty? Is there further compelling evidence relating to those impacts discussed or others that the review would benefit from considering?

Consumer Focus welcomes the extensive evidence presented in the report on the impact of fuel poverty on ill health. We also welcome the review team's intention to address the implications of this evidence for policy in the final report. We consider the current reforms to the NHS and public health should make action against fuel poverty and the improvement of housing a central priority. We would also welcome further evidence of the economic benefits of taking preventative action to improve health and well-being through raising the standards of our homes.

There is a wide range of potential policies that could address the non-medical determinants of ill-health, of which poor housing is central. They include: social prescribing; referrals to energy efficiency programmes from primary care health staff; joint action to improve housing through the proposed health and well-being boards; and most importantly the development of a strategic approach to the funding of health and housing programmes.

Consumer Focus is a member of the project steering group for an innovative fuel poverty and health initiative: 'fuel poverty social impact bonds'⁴. The initiative aims to lever in the value of future health care savings accruing from energy efficiency investments to help pay for those investments. We recommend that the review team examines this initiative as part of its deliberations for the final report.

With respect to the report's discussion of temperature standards, the report we commissioned from CSE and Donald Hirsch sheds some light on this issue⁵.

³ DECC (2011), *Fuel poverty 2009 – detailed tables*, DECC

⁴ See <http://www.cse.org.uk/projects/view/1168> for an overview of this project.

⁵ Hirsch D, Preston I and White V (2011), *Understanding fuel expenditure – fuel poverty and spending on fuel*, Consumer Focus

For example, the report identifies specific household types that are particularly likely to 'under-consume' energy, ie not heat their homes to a reasonable temperature standard. It also identifies further household types that have relatively high consumption relative to their income. We consider such an understanding of the expenditure patterns of different household types should inform the design and targeting of fuel poverty policies.

Consumer Focus advocates the regular collection of internal home temperatures through the English Housing Survey. We do not consider the Government should rely on occasional and ad hoc Energy Follow-up Surveys for temperature data, particularly given that the issue of 'cold homes' is fundamental to fuel poverty.

3 Do you agree with our analysis of the strengths and weaknesses of the current fuel poverty indicator, as set out in Chapter 5, and of modifications and alternatives to it in Chapter 6?

In broad terms, Consumer Focus accepts the analysis of the strengths and weaknesses of the current fuel poverty indicator as set out in the report. However, we feel the analysis overstates the significance of the definition's sensitivity to price changes and the extent to which it includes higher income households.

With respect to the 'higher income households' issue, only a relatively small proportion of households with incomes above the lowest three income deciles are categorised as 'fuel poor' under the current definition, as stated above. This issue could be easily addressed by introducing an additional income threshold criterion.

With respect to the fuel price issue, we accept that the current definition is overly sensitive to the impact of price changes. However, we consider price rises are an important contributor to fuel poverty and that the 'number of households living in fuel poverty' measure should reflect this (as well as the 'fuel poverty gap' measure). We put forward proposals later as to how this might be achieved.

4 Do you agree with our analysis of the strengths and weaknesses of the approach based on a Low Income-High Costs indicator and fuel poverty gap, as set out in Chapter 7?

Consumer Focus accepts much of the analysis presented in support of the 'low income/high fuel costs' and 'fuel poverty gap' indicators. We support the proposals to use an After Housing Costs and equivalised measure of income. We advocated both of these reforms in our submission to the previous 'call for evidence'. We also support the proposal to remove fuel costs from the calculation of income.

Consumer Focus supports the concept of defining fuel poverty in terms of low income households facing 'unreasonable fuel costs'. We broadly support the definition of low income. However, we have substantial concerns about the proposed approach to defining 'unreasonable fuel costs'. These concerns relate to the proposed definition of the 'energy costs threshold'. We outline these concerns below.

5 Do you have any views on the thresholds the review has used for the preferred indicator, as set out in Chapter 7?

Consumer Focus convened a meeting of a wide range of fuel poverty academics, researchers and policy advocates to discuss the proposed definition. Those taking part included Brenda Boardman, Donald Hirsch, Christine Liddell, Richard Moore and representatives of ACE, NEA, CSE, FOE and Nationwide Energy Services.

While there was broad agreement in support of the proposed 'income threshold', widespread concern was expressed at the proposed 'energy costs' threshold. The concerns related to the proposals to use equivalised energy costs and to set the threshold at the median of total energy costs.

Consumer Focus therefore commissioned Richard Moore to examine these issues in more detail. The report of his research is included with this letter⁶. In summary, the research identified the following problems with the proposed 'energy costs threshold':

- The proposal to equivalise fuel costs by using the same equivalisation scale as that used for incomes is untried and controversial. The problem can be overcome by using unit costs/m² of floor area since this does not vary substantially by household type
- The proposal to set the threshold at the median of total (equivalised) fuel costs will make it extremely difficult to eliminate fuel poverty. Because a half of all households will always fall below the threshold (by definition), a significant reduction in fuel poverty can only be achieved by increasing the number of higher income households with high energy costs
- The proposed threshold could therefore potentially put fuel poverty and climate change policies in conflict with each other

The report of the research proposes setting the 'energy costs threshold' according to the relationship between the total fuel requirement of a home and the fuel requirements of the most energy efficient homes. The report examines three options for doing this. It recommends an option in which the threshold is based on the median unit fuel costs of dwellings at the lowest threshold of EPC band C and above.

The report's preferred option for setting the threshold has much to recommend itself. Consumer Focus anticipates that other researchers will put forward further variations to the three options considered, while adhering to the broad principle of this approach. The advantage of the approach is that it would root the definition in a meaningful view about the level of energy efficiency that is desirable and reasonable for someone on a low income. Furthermore, as overall standards in the housing stock improve, the threshold for a reasonable standard of energy efficiency would also increase. It would also create a definition of fuel poverty that makes its eradication feasible, given sufficient political will and resources.

Consumer Focus therefore recommends that the Hills review convenes an 'expert' panel to develop a new approach to defining the 'fuel costs threshold'. The panel should involve key stakeholders in its discussions. In this way, stakeholders are far more likely to take ownership of, and support, the formulation eventually agreed.

Yours faithfully,



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⁶ Moore R (2011), *The Hills fuel poverty review proposal for a new definition of fuel poverty: an analysis*, Consumer Focus