



Sustainability Committee SC(3)-22-09 Paper 3

BY EMAIL

Mick Bates AM
Chair, Sustainability Committee
Bae Caerdydd/ Cardiff Bay
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CF991NA

Evidence Session on Fuel Poverty in Wales

Dear Mr Bates,

Thank you for inviting RWE npower to submit written evidence for the above evidence session.

By way of background, RWE npower is an integrated energy business, generating electricity and supplying gas, electricity and related services to customers across the UK. We operate and manage flexible, low-cost coal, oil and gas-fired power stations - generating over 10.3 GW of electricity. We serve over 6 million customers and produce more than 10% of the electricity used in England and Wales.

Our portfolio in Wales includes Aberthaw power station, two combined heat and power plants and renewable energy schemes. Our renewable schemes include both on and offshore wind, and hydro generation. In total, this capacity generates around a third of the electricity consumed in Wales. Equally importantly, it creates local employment opportunities.

RWE is one of the largest inward investors in Wales. We have a long history of investment to enable the development and operation of generation here. Aberthaw power station alone contributes over £50 million to the Welsh economy each year.

In Wales RWE npower has already spent over £20 million supporting programmes for fuel poor households. This means that for every household that we supply with electricity or gas, we have spent at least £250. This includes energy efficiency measures, social tariffs, debt relief and the Warm Wales and Health Through Warmth schemes.

If you have any questions arising from our submission, please do not hesitate to contact me.

Yours sincerely,

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Written Evidence from RWE npower: Fuel Poverty in Wales

Background

1. RWE npower supports a range of programmes to assist households in fuel poverty. In the first year of the voluntary commitment to Government, we exceeded our commitment by 9%. We expect to exceed our commitment again this year.
2. Fuel poverty is part of the wider problem of poverty and social exclusion. The majority of fuel poor households are the poorest households overall. 91% of the fuel poor are from the three lowest household income deciles, compared to only 13% of non-fuel poor.
3. Addressing the key drivers of fuel poverty is a job for government, which must seek to maximise income as well as rolling out a wholesale refurbishment of the UK housing stock to improve the energy efficiency rating of each home. This would also significantly reduce the overall level of CO₂ emissions from the UK's housing stock. Government, local authorities, suppliers and the third sector all have key roles in addressing fuel poverty in an equitable and sustainable way.
4. Following the introduction of a mandatory energy price support scheme in April 2011, we would expect the bulk of the spend of social programmes to be dedicated to a discount provided to the group identified by Government.
5. Fuel poor households in Wales are supported by social programmes under the voluntary commitment. This includes our social tariff, the Health Through Warmth Programme and our debt fund. They also benefit from the assistance under the CERT Priority Group programme. We also work with local authorities to support the 'Warm Wales' scheme.
6. Through our programmes for fuel poor and vulnerable customers, RWE npower has spent over £20 million supporting households in Wales.
7. RWE npower is committed to working closely with the communities in which we operate. We are one of the pioneering businesses, and the first utility company, to achieve the Community Mark, a new national standard which recognises business excellence in community investment.
8. We are involved in a number of initiatives in the local communities around our power stations. Our Brighter Futures programme helps young people to develop their skills and knowledge and empowers them to achieve their vision of a 'brighter future' for themselves and for the environment.

Energy Efficiency Programmes – fulfilling our CERT and CESP obligations

9. Although assistance through social tariffs can provide important support, they may not permanently remove a household from the fuel poverty. Removing customers from fuel poverty can only be achieved by ensuring that domestic properties are provided with energy efficiency measures which permanently lower their energy bills.
10. RWE npower provides energy efficiency advice over the phone and face-to-face in the home. Our energy efficiency advice telephone service includes a close examination of a customer's energy bills and payment history to provide personalised and relevant advice. So far this year, we have given advice to over 30,000 households.
11. RWE npower also has a network of in-home advisors who specialise in providing face-to-face advice in how a customer can heat their home affordably. This service is available in certain areas of the UK. This is particularly important for our vulnerable customers who may particularly benefit from face-to-face rather than telephone

advice. Integrated within this service is the provision of real-time display devices to the customer so they can understand their household's electricity consumption. We have a full-time energy efficiency advisor based in South Wales.

12. RWE npower provides assistance to households likely to be fuel poor in the Priority Group within CERT and planned CESP projects. In the UK, we will spend over £300 million on improving the domestic energy efficiency of households of pensioners and other vulnerable groups through CESP and the CERT Priority Group between 2008 and 2012.
13. In order to support the installation of energy efficiency measures in fuel poor households in Wales, RWE npower continues to support Warm Wales. Warm Wales is a community interest and 'not for profit' organisation, set up to deliver fuel poverty and associated programmes. There are schemes across Wales which deliver a range of energy efficiency measures (such as cavity wall and loft insulation).
14. Warm Wales started with two schemes in Wrexham and Neath Port Talbot. In the past year this has been extended to include areas of Cardiff, Flintshire, Denbighshire, Conwy and Torfaen. In January we plan to start schemes in areas of Bridgend and Caerphilly. Warm Wales will visit around 90,000 homes in these seven new areas.
15. In addition to the energy efficiency measures installed, Warm Wales also provides benefit entitlement checks. These checks have resulted in additional benefit payments of over £2.8million p.a. for low income residents. Providing this service ensures that the programme combats fuel poverty both through energy efficiency and by increasing consumers' income.
16. In order to maximise the benefit of both CERT and HEES, the rules of each should complement one another. To maximise the opportunity to help fuel poor households we would encourage greater interaction between CERT and HEES schemes. This would particularly benefit households who are eligible for fuel switching – the installation of gas central heating in a property currently using coal or solid fuel. We have specific proposals, but this would require changes to the Ofgem administration rules around CERT.

Spreading Warmth Programme – fulfilling our Voluntary Commitment

17. RWE npower supports a range of programmes to assist households in fuel poverty. Our Spreading Warmth Programme provides assistance ranging from advice, debt write off and our social tariff to npower customers. Our social tariff provides one of the largest discounts available and targets those most in need. To ensure we assist customers likely to be in fuel poverty we developed our eligibility criteria for the tariff with National Energy Action (NEA) and energywatch (now Consumer Focus).
18. Our customers in Wales can access the Spreading Warmth Programme through referral mechanisms set up to identify eligible customers. This includes internal identification and working with partners in a range of agencies and charities.
19. In the first year of the voluntary commitment, RWE npower exceeded its commitment and spent £15.5 million on programmes to assist vulnerable and fuel poor households. 80% of this spend is dedicated to social tariffs.
20. RWE npower expects to exceed its commitment again in the second year and continues to provide a holistic package of assistance. RWE npower has committed to continue to support the social tariff as part of a range of programmes for vulnerable and fuel poor customers.
21. RWE npower continue to provide a social tariff to low income customers who are of a pensionable age, are chronically ill, are disabled or who have a child under 16 living

in the household. Ofgem highlighted in its report on social spend that this tariff provided one of the largest discounts of any supplier.

22. Our social tariff has changed since giving evidence to the Sustainability Committee in October 2008. In July last year, Ofgem revised its social tariff guidelines. Our social tariff was updated to ensure that it complied with these revisions. As a result we changed our tariff from a flat discount of £250 (for a dual fuel customer) to a reduced unit rate. To ensure it was our cheapest tariff irrespective of payment method we also provide an additional discount to prepayment and receipt of bill customers. The social tariff now provides an average discount of over 20% for the average dual fuel cash / cheque and prepayment customer.¹
23. In the last year we have undertaken a series of activities to increase the number of customers on our social tariff. We contacted 70,000 customers to invite them to join the tariff. This was sent to consumers on our Priority Services Register, the Fuel Direct payment scheme, Health Through Warmth scheme, and customers identified as fuel poor using our own fuel poverty propensity modelling. We also completed staff briefings to over 3,000 frontline staff in order to ensure that internal referrals took place. As a result we now have over 100,000 customers on our social tariff.
24. In addition to our social tariff we also run the First Step Programme. First Step provides account management for customers who are struggling to pay for their energy usage. The specialist team work with them to help manage their accounts and also undertake benefits entitlement checks. As a customer maintains the agreed regular payment plan, they are likely to be eligible to have any outstanding debt cleared.
25. Macmillan Cancer Support has been RWE npower's corporate charity since 2004. Through this, RWE npower and Macmillan Cancer Support have developed an innovative scheme called the Fuel Management Programme. This is for RWE npower customers who are diagnosed with cancer. Eligible individuals can benefit from a far more concentrated level of assistance through the programme immediately following diagnosis as they are likely to need to increase their consumption of energy at the same time as experiencing a drop in income.
26. Eligible RWE npower customers are referred through Macmillan's Benefits Helpline to a specialist team. They are set up on a payment plan of no more than 10% of their income and thus ensures that the household is not in fuel poverty. RWE npower also writes off any outstanding debt and offers customers energy efficiency advice. Macmillan provides a benefit entitlement check and advice on other ways in which they can access further income.
27. In order to target assistance to those most in need we also work with a variety of agencies and charities who refer eligible clients to us. These third parties include Citizens Advice and Age Concern. We also support the Home Heat Helpline which provides people with a number they can call, free of charge, for help and advice about managing their fuel bills.
28. RWE npower is also one of two suppliers who provide a social tariff to those assisted through HEES through the tariff advice scheme with eaga.
29. RWE npower is currently in discussion with Government regarding the proposed data sharing pilot. We support data share in principle as a means to better target finite resources to those most in need. Whilst many details of this scheme remain uncertain, Government has confirmed that certain low income pensioners will benefit from this pilot scheme. We would expect that the increase in spend during the third year of the voluntary commitment will be taken up by the data sharing pilot.

¹ Based on notional consumption for a dual fuel receipt of bill customer

30. In moving to a mandated energy price support scheme post- April 2011, it is important that the target group is chosen in accordance with need and not only on the basis of the extant data share legislation.

Health Through Warmth

31. One of the many challenges in delivering assistance to fuel poor households is identification since there is no perfect proxy for fuel poverty. This means that groups which work within communities are vital in delivering targeted, in depth support. To identify and assist households in particular need RWE npower operates the Health Through Warmth (HTW) scheme in 15 geographic areas of England and Wales, in partnership with the NHS and NEA.
32. Health Through Warmth operates through locally based partnerships that seek to identify vulnerable people of any age whose health is adversely affected by cold and damp conditions in their home. This scheme is available regardless of whether they are an npower customer.
33. The scheme helps tackle health inequalities by establishing partnerships with local authorities, health trusts, Energy Saving Trust advice centres, care & repair agencies and many other community-based organisations, to create wider awareness of the health problems that are made worse by living in cold conditions.
34. The partnerships created by HTW and the support of key community workers are critical in identifying the most vulnerable residents and effectively bringing together resources so that practical solutions can be delivered.
35. This is achieved by facilitating the installation of appropriate energy efficiency and heating measures. As well as providing a suitable practical solution, the scheme also sources appropriate funding which includes government grants, charitable contributions and the unique npower HTW crisis fund.
36. There are two HTW schemes in Wales – one in the Vale of Glamorgan and one in Wrexham and Flintshire.
37. To date HTW has received over 3,150 referrals from both areas. Since beginning in 2003 HTW has also accessed over £3.7 million of assistance for households in these areas with an additional £227,000 from the npower Health Through Warmth crisis fund

Prepayment Meters

38. It is estimated that 20% of fuel poor households use a prepayment meter (PPM). Traditionally, a PPM has been perceived as a high cost payment method due to the high cost of providing and maintaining the meter.
39. However, RWE npower has aligned PPM prices with those of customers who pay by cash or cheque. This means that at notional consumption, PPM customers do not face an additional charge.
40. RWE npower has been replacing outdated token meters with key meters. This means that any changes affecting customers are updated immediately without the time lag associated with token meters. These changes include, for example, price changes or debts being paid off. In the past year, we have replaced over 3,000 token meters in Welsh homes.

Debt and Disconnection

41. Ofgem recently produced a report on vulnerable customer disconnections. The report notes that disconnections overall are at historically low levels. npower took the decision in 2008 to stop disconnecting any domestic customer for debt during the winter period. We have taken the decision to adopt the same approach for the winter of 2009 (1 October – 31 March). The report, amongst other things, commends npower for its approach in this regard. Furthermore, npower's SAFE approach (see below) was identified as an example of best practice in dealing with vulnerable customers in debt.²
42. The SAFE – Solutions Available for Everybody – team supports vulnerable customers with an outstanding debt but who are not eligible for a social programme. Customers are put on a payment arrangement and have their accounts reviewed every month. RWE npower will contact the customer to ensure everything is running smoothly and to discuss any difficulties the customer may have.
43. RWE npower operates the ERA Safety Net which aims to ensure that no vulnerable customer is knowingly disconnected. In addition to operating this industry initiative, it should be noted that our winter no disconnection moratorium mentioned above goes beyond the Safety Net requirement in that it applies to all our domestic customers, not just those who are vulnerable.

² Best practice identified in Section 4.5, page 25 in Ofgem and Consumer Focus's report - Review of protection for vulnerable customers from disconnection
<http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Documents1/Review%20of%20vulnerable%20customer%20disconnections%20report.pdf>