



Inquiry into energy efficiency and fuel poverty in Wales

British Gas response to the inquiry by the Environment and Sustainability Committee,
National Assembly for Wales
June 2014

Introduction

- 1.1 British Gas is the UK's largest energy supplier, serving more than 11 million homes across Britain and around one million businesses. We supply gas and electricity to around 375,000 homes in Wales and some 50,000 businesses.
- 1.2 British Gas welcomes the opportunity to submit written evidence to the National Assembly for Wales's Environment and Sustainability Committee inquiry into energy efficiency and fuel poverty.
- 1.3 Since the last investigation by the committee into this subject, energy bills and fuel poverty have risen up the political agenda. British Gas seeks to continue to work constructively with both the UK and Welsh Governments on these issues. We support our customers in fuel poverty through a combination of industry, government and British Gas initiatives and last year we spent more than £380m across Britain helping our elderly, disabled and most in need customers.
- 1.4 We believe that the best way to help our customers reduce their bills is through helping them to use less energy. British Gas is committed to working to improve energy efficiency – be that through innovations such as the roll out of smart meters, which are transforming customers' engagement with their energy supplier, or through programmes run by the UK and Welsh governments. This response provides details of delivery by British Gas on those energy efficiency programmes – including the Welsh Government's Nest programme, of which we are proud to be the managers.
- 1.5 Despite the pressure on prices, British Gas is doing everything we can right now to keep bills as low as possible. From January 1, we reduced the average annual British Gas dual fuel bill by £53 – a 3.2 per cent decrease in energy prices equalling £41 and a £12 rebate, following changes by the UK Government to the Energy Company Obligation and Warm Home Discount. We were the first company to pass on this cost reduction to customers.
- 1.6 Our parent company Centrica has welcomed proposals by the regulator for a market investigation reference, recognising that this will be helpful in restoring market confidence for consumers and investors alike.
- 1.7 British Gas is also proud to be a major employer, with over 2,200 people working for British Gas across Wales. As well as our customer contact centre in Cardiff and training academy in Tredegar, a network of around 400 engineers means that we are active in Welsh homes every day of the year. We have been working hard to provide opportunities for young people not previously in education, employment or training. Together our combined work force brings more than £50m into the regional economy.
- 1.8 This submission sets out the measures we are undertaking to help alleviate fuel poverty in Wales, with special regard to our most vulnerable customers.

Energy efficiency programmes

- 2.1 British Gas is committed to helping customers make their homes more energy efficient. Over the past five years, British Gas has insulated more than three million customer homes, saving 45 million tonnes of lifetime carbon emissions.
- 2.2 During 2013, British Gas helped to install 236,000 energy efficiency measures in the UK's homes – over half of which were for the elderly, disabled or those most in need.
- 2.3 As a result of measures such as loft and cavity wall insulation and support for more energy efficient boilers, the typical British Gas customer uses 20 per cent less gas than they did five years ago. But 12m homes are still without adequate insulation. British Gas is working with both the Welsh Government and the UK Government to reduce this number.

Nest

- 2.4 The Welsh Government's fuel poverty programme is managed by British Gas, and has now reached the end of year three of a five year contract.
- 2.5 The scheme provides households in Wales with access to a range of advice and support on saving energy, money management, fuel tariffs, benefit entitlement checks and referral for Warm Home Discount.
- 2.6 Additionally, Nest offers a package of free home energy improvement measures to households who are in receipt of a means tested benefit and who live in a privately owned or privately rented home that is very thermally inefficient, with an Energy Performance Certificate rating of F or G.
- 2.7 Packages may include measures such as a new boiler, central heating system, loft insulation and cavity wall insulation. Newer technologies such as air source heat pumps and external wall insulation may also be included.
- 2.8 By the end of the programme's third year, over 13,500 homes across Wales have benefited from a free home energy improvement package. Over 16,300 measures have been installed and more than 55,000 households have received advice and support.
- 2.9 Home energy improvement packages deliver benefits averaging around £500 per household per year.
- 2.10 Delivery of the Nest programme has been supported by over 40 small and medium enterprises across Wales.
- 2.11 It's estimated that an additional £1.4m of benefits are being claimed as a result of advice given to households who contact Nest.
- 2.12 Aligning Nest with the Energy Company Obligation during 2013 has provided an opportunity for more fuel-poor households in Wales to benefit from home energy improvements.

2.13 British Gas meets with Welsh Government on a regular basis to update officials on progress to date. We are keen to work with Welsh Government on looking at the support that will be offered beyond the end of the current Nest scheme.

Energy Company Obligation

2.14 British Gas supports the goals of the Energy Company Obligation (ECO), having the biggest target to reach in delivering this scheme. We expect to install 900,000 energy efficiency measures under the new ECO programme. Figures for delivery are reported to Ofgem on a regular basis.

2.15 Working with housing associations and local authorities across Wales, we have delivered 16,846 measures in Wales from January 2013 to the end of May 2014, across the Carbon Emissions Reduction Obligation (CERO), Carbon Saving Community Obligation (CSCO) and Home Heating Cost Reduction Obligation (HHCRO), as below:

	Measures	% of GB total no	% of GB carbon saving
CERO	4,850	4.2	5.3
CSCO	1,170	2.6	2.3
HHCRO	10,826*	9.4	8.3
Total ECO	16,846	6.1	4.7

*includes 7,484 boiler replacements

2.16 We believe that the changes proposed by the UK Government in December 2013 will strengthen the ECO scheme, make the programme work better for consumers, and they will provide much needed stability for the energy efficiency industry:

- Consumers are already benefiting from lower energy bills. The changes will make ECO more cost effective and have allowed us to reduce bills from January 1.
- ECO will be accessible to more customers: 2.6 million more households will be eligible under CSCO; 5 million more households will be eligible under CERO.
- The commitment to install at least 100,000 solid wall insulation measures across the market will provide a more certain, sustainable future for the solid wall insulation industry.

2.17 Funding programmes through direct taxation would reduce pressure on bills and spread the costs to those better able to afford it.

2.18 British Gas is currently in talks with potential partners for future ECO schemes, including as part of the £70m additional funding from Welsh Government under its Maximising ECO strategy.

Green Deal

- 2.19 British Gas is extremely supportive of the Green Deal, as we believe it could play a pivotal role in delivering energy efficiency. As such we have been a leader in working with UK Government to deliver the Green Deal. To date we have delivered around a third of the live finance plans as well as Green Deal Assessments, almost nine out of every 10 cash-back voucher redemptions.
- 2.20 We have highlighted three key areas with Department of Energy and Climate Change where we believe changes could be made to encourage take-up – simplifying the Green Deal Assessment, the introduction of further incentives which are generous enough to attract customers, and amendments to the Golden Rule.
- 2.21 At our Tredegar Academy, we have trained 80 Green Deal Advisers.
- 2.22 Of the 13,579 Green Deal installs since the launch, 780 (or 5.7 per cent of the total) of these have been in Wales. The vast majority of these have been boiler installations.
- 2.23 British Gas has agreed 321 Green Deal finance plans – of these, 15 are in Wales (4.2 per cent of the total).

Smart metering

- 2.24 British Gas is leading the roll-out of smart meters. We have delivered over 1.3m smart meters to customers' homes and businesses and have a team of 1,200 specially trained Smart Energy Experts installing and offering advice to customers on their smart meters. In our Cardiff contact centre, we now have customer service agents working specifically to answer calls from customers with smart meters.
- 2.25 The Smart Energy Report, offered exclusively by British Gas, shows how a customer's bill compare to similar households and highlights where a customer can make savings.
- 2.26 A recent report by Oxford Economics showed that smart meters can help customers save £65 per annum.
- 2.27 Where a standard meter needs replacing, British Gas is offering customers a smart meter as part of a free upgrade. Customers are also able to request one sooner.
- 2.28 Across Wales, we had fitted more than 34,000 smart meters to residential properties by the end of May 2014.

Alleviating fuel poverty

Support for customers

- 3.1 British Gas has been working hard to ensure that energy buying is simple, transparent and fair for our customers.
- 3.2 British Gas welcomed changes to the Energy Company Obligation and Warm Home Discount in December 2013 which have allowed us to reduce energy bills from

January 1. Savings from these changes are being passed on in full to customers, including those on fixed-rate tariffs.

- 3.3 With regard to other elements of the bill that are external to our business, British Gas notes that the cost of transporting gas and electricity through pipes and wires has been increasing to pay for investment in the grid and infrastructure. British Gas does not own any networks and believes that the National Audit Office should audit the regulator's Price Control Agreements to ensure they are delivering value for money to the customer.
- 3.4 We have simplified tariffs, made comparison of prices easier to understand and led the way in clearer bills for our customers. We have also introduced one standing charge across fuel types to make it easier for customers to compare tariffs.
- 3.5 We were also the first supplier to introduce a personalised service – Tariff Check – which sees us write to our customers every six months, or annually if they have a pre-payment meter, to tell them if they could make a saving by switching to a different British Gas tariff.
- 3.6 Additionally, we offer our customers a variety of online options to help them understand their energy bill and manage their payments, including:
- Direct debit dashboard: customers can view their direct debit plan, make adjustments to monthly payments and request a refund if in credit. We try to ensure a zero balance at the end of a 12 month period, when we will automatically refund credit in excess of £75. In February, we announced that we will be offering customers a full annual refund if their account is in credit by £5 or more. This offer will be made at the time of the customer's annual review providing an up to date meter reading has been obtained.
 - Payment holidays: customers on fixed direct debit can take up to two payment holidays a year.
 - Predict next bill: this functionality allows customers to predict the cost of their next bill. In addition, when providing a meter read, customers are able to view the amount they have spent since their last bill.
 - EnergySmart: a free online service that can be added to any of our tariffs. It includes simple online graphs and tools to help customers track and reduce their energy usage and by submitting meter readings customers will receive accurate monthly bills.
 - Consumption charts and household comparison: customers can view their energy consumption over time and compare their consumption to other households in the area.
 - For our prepayment meter customers, our Home Energy Top Up unit allows them to go online to add credit to their prepayment meter from their own home – giving them convenience that can be of real benefit during the worst winter weather.
 - Hive Active Heating allows people to control their heating and hot water remotely from a smart phone, tablet, SMS, or via a website. Putting people in control of

their energy use and allowing them to only heat their homes and water when they need to, Hive Active Heating could save households up to £150 a year.

Warm Home Discount scheme

3.7 Last winter, British Gas gave up to an extra £60 to its most vulnerable customers, on top of the £135 Warm Home Discount they received. British Gas uses the widest set of criteria in determining eligibility, meaning that more than 580,000 customers will have received up to £195 off their bills. Of these, just under 38,000 were in Wales.

British Gas Energy Trust

3.8 The British Gas Energy Trust was established in 2004, the first national utility trust of its kind, solely funded by British Gas.

3.9 All UK households can seek advice or apply for grants from the trust, a registered charity, if they find themselves in debt, regardless of whether they are a British Gas customer.

3.10 British Gas donated £19.3m to the trust in 2013/14, making a total of £63m to date.

3.11 The trust makes a significant difference to the lives of those in need by awarding grants to clear energy debts and to repair or replace essential household appliances

3.12 The trust also funds a network of specialist fuel debt advisors who work in collaboration with a range of advisory organisations. In Wales, we work with Speakeasy Advice and Riverside Advice, both based in Cardiff, to provide a free face-to-face service.

3.13 In 2013, the trust made grants of £160,817 in Wales.

Dedicated support teams

3.14 In addition to the support and assistance offered by our frontline agents, our Home Energy Care and Here to Help teams offer dedicated support to vulnerable customers who require help with bills and energy efficiency advice. Agents can discuss a variety of services including the Warm Home Discount scheme, our Priority Services Register, alternative format communications, free energy efficiency measures, meter moves and more.

3.15 We seek to identify vulnerable customers so we can make sure their energy supply is not interrupted. British Gas ensures that vulnerable customers are never disconnected.

Helping customers to manage their debt

3.16 We attempt to call our customers in debt at least once a year and have been carrying out this activity since 2011.

- 3.17 Where contact is made, the weekly repayment arrangement is reviewed. Where the customer is found to be struggling to keep up with their payments, the repayment rate is reduced and where the customer prefers to reduce their debt quicker, their repayment arrangements can be increased, subject to ability to pay.
- 3.18 British Gas takes a proactive approach to making sure that prepayment customers do not self-disconnect. Since the start of 2014, we have a process to track vulnerable customers' consumption and vending patterns during the winter months. This process enables us to accurately and quickly determine if the customer has self-disconnected. Accounts for both fuels are analysed on a weekly basis and at the point that we consider a customer has run out of energy, they have 28 days to vend before we investigate further. This is the shortest period for any of the Big Six.
- 3.19 When we suspect that the customer has self-disconnected, we will first attempt to make contact through outbound calls, followed by lettering. If our attempts at contact remain unsuccessful, a specially trained advisor will visit the customer's property to assess their vulnerability and offer the most appropriate form of support. If upon contact, a customer confirms they are having difficulties topping up, we will offer assistance on a case by case basis. Early findings show that at point of contact, 50 per cent of customers have recently or are about to start vending again.
- 3.20 We are actively planning for system, process and training changes that will be required as a result of the introduction of Universal Credit, in particular, around our prepayment meter customers. We are engaging with the Department for Work and Pensions and consumer groups (including Citizens Advice and StepChange) to understand the likely impact of welfare reform on our customers.

Other work in Wales

- 3.21 British Gas is working in partnership with Shelter Cymru to address conditions in the private rented sector, by helping people struggling with bad housing or debt. Through the partnership, we look to make sure renters and landlords know their rights and responsibilities and to influence housing policy so that conditions and energy efficiency in the sector are improved. In March, a briefing event was arranged for Assembly Members to share the findings of the biggest survey ever carried out of private tenants in Wales as part of this partnership.
- 3.22 In March, British Gas announced it will work with the fuel poverty charity National Energy Action and National Energy Action Cymru on an initiative to target the promotion of energy efficiency in communities across Britain. Details of the local partnerships – one of which will be in Wales – are still being finalised. Assembly Members will be kept informed of this project as it develops.