

## **MEMORANDUM OF WRITTEN EVIDENCE SUBMITTED BY SCOTTISHPOWER**

### **Executive Summary**

1. ScottishPower is a major UK energy company with networks, generation and retail interests. It is part of the Iberdrola group, a major international utility and the world's leading wind power developer.
2. We supply over 5 million electricity and gas services to customers in Great Britain, with around 240,000 services to customers in Wales. ScottishPower Energy Networks (SP Manweb) is also the licensed Distribution Network Operator (DNO) in North and Mid Wales.
3. ScottishPower is an obligated supplier under the GB-wide Energy Companies Obligation (ECO) energy efficiency scheme and an accredited Green Deal Provider. Throughout 2013, our delivery under ECO has included a significant number of energy efficiency measures being installed in Wales.
4. We also provide a large element of support to low income and vulnerable households in Wales under the GB-wide Warm Home Discount scheme. In the last Warm Home Discount scheme year (i.e. 2013/14), ScottishPower provided over £2.2m of support to eligible customers in Wales.
5. Since 2005, the ScottishPower Energy People Trust has awarded funds of over £323,000 to nine projects across Wales, helping 9,158 low income or vulnerable individuals in 7,230 households.
6. Through these various initiatives and support schemes, we are focussed on seeking to provide widespread support to those on low incomes, or who are otherwise vulnerable, so as to minimise the risk and impacts of fuel poverty.

### **RESPONSE TO QUESTIONS**

#### **A. Progress towards the Welsh Government's statutory targets for eradicating fuel poverty in Wales by 2018**

7. The latest UK Fuel Poverty Monitor (2014) published jointly by National Energy Action (NEA) and Energy Action Scotland (EAS) provided an assessment of fuel poverty levels across the UK and compares the differing approaches to tackling this issue in different areas.
8. The Welsh Government's target is to eradicate fuel poverty in Wales, as far as reasonably practicable, by 2018 (with interim targets to, as far as reasonably practicable, eradicate fuel poverty among vulnerable groups by 2010 and in social housing by 2012).<sup>1</sup>

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<sup>1</sup> <http://wales.gov.uk/topics/environmentcountryside/energy/fuelpoverty/strategy/?lang=en>

In that context, the Monitor report notes that the interim targets were not achieved and summarises a number of challenges, including:

- Rising energy prices;
- Lack of access to mains gas - with 264,500 households in Wales having no access to mains gas, which has the effect of increasing their overall energy costs;
- A relatively high proportion of houses with solid wall construction which are both costly to insulate and can sometimes be difficult to treat;
- Low incomes - with Wales remaining amongst the poorer parts of the European Union.

9. As can be seen from Table 1 below, 29% of all households in Wales are fuel poor, compared to 25% in Scotland and 15% in England when using the same definition of fuel poverty, namely, those households that spend more than ten per cent of their income on fuel.<sup>2</sup> The proportion of hard-to-treat housing in Wales and the extent to which households lack access to mains gas supply are key factors that help to explain the high proportion of fuel poor households in Wales.

**Table 1: Fuel poverty levels in the UK in 2011 by country (DECC)<sup>3</sup>**

Country	Number of households in fuel poverty (millions)	% of households in fuel poverty	Total number of households (millions)
England (10% definition)	3.2	15%	21.6
England (LIHC definition)	2.3	11%	21.6
Scotland	0.6	25%	2.3
<b>Wales</b>	<b>0.4</b>	<b>29%</b>	<b>1.3</b>
Northern Ireland	0.3	42%	0.7
<b>UK (10% of income definition)</b>	<b>4.3</b>	<b>c.17%</b>	<b>25.9</b>

10. It follows that the statutory target for 2018 remains a very challenging one though some progress is being made through delivery under GB wide schemes, such as ECO and Warm Home Discount, as well as under additional schemes developed and funded at a Welsh Government level.

## **B. Impact of the Welsh Government's Nest and Arbed energy efficiency programmes**

### Nest

11. The Nest scheme targets a very similar group of households to those targeted by the Home Heating Cost Reduction Obligation (HHCRO) under ECO for Affordable Warmth eligible households. Much work has been done to raise awareness of Nest and, in our experience, many householders in Wales are likely to apply to Nest in the first instance.

12. In recent months, householders that have been through the Nest application process and found not to be eligible, have then been referred to the GB-wide Energy Saving Advice Service (ESAS) and directed to their electricity supplier so as to check if they might be able to benefit from HHCRO measures under ECO. Ensuring that there is this kind of

<sup>2</sup> The Welsh Government assessed the impact of applying the new 'Low-income High-costs' definition of Fuel Poverty that has been adopted in England (following a review by Professor John Hills in 2012) but chose not to opt for the new measure.

<sup>3</sup> [DECC, Annual Report on Fuel Poverty Statistics, May 2013](#)

joined-up approach to providing access to the two schemes is clearly important. To date, we have received a limited number of these type of referrals from ESAS.

13. The establishment of Nest pre-dates the introduction of ECO. We are therefore working with Welsh Government officials to look at how any future changes to Nest could be developed in a way that better complements the delivery of measures under the HHCRO element of ECO, thereby ensuring that more homes in Wales can benefit from newer, more efficient heating systems.

#### Arbed

14. We welcome the Welsh Government's new Arbed programme which encourages local authorities in Wales to work closely with energy companies to develop bids for funding energy efficiency improvements. In particular, we consider that the rolling application process for funding under Arbed works well, given that in many other schemes in operation the often tight bidding deadlines mean that projects have to be submitted before they are fully developed, which can make delivery planning and cost control more challenging.
15. We support the concept of blending Arbed funding with local authority and ECO funding as this can help to meet the common objectives. Going forward, however, the Welsh Government will wish to consider this carefully in light of the UK Government's proposed changes to ECO. Any blending of public money with ECO funding needs to be done in a way that secures the delivery of additional measures beyond those already obligated under ECO. This is important in ensuring a good use of public money.

#### **C. Impact of the UK Government's Green Deal programme**

16. The Green Deal (GD) was launched on 28 January 2013 in England and Wales (and on 25 February 2013 in Scotland). There were on average 5 GD Assessments per 1,000 households in Great Britain with 4.5 per 1,000 households in Wales.
17. The GD incentives scheme has been available in England and Wales since January 2013. To date, there have been some 3.8 incentive payments per 10,000 households in England and Wales together and 3.4 incentive payments per 10,000 households in Wales alone. Scotland operates a separate incentive scheme.
18. On the other hand, the number of GD finance plans remains quite small and therefore reliable statistical inferences on this element cannot be drawn. Looking across all elements of the Green Deal, the evidence suggests that overall Green Deal activity in Wales is comparable with (though slightly below) levels elsewhere in Britain.

#### **D. Implementation of the UK Government's Energy Companies Obligation (ECO)**

19. DECC regularly publishes statistics showing delivery of ECO and, in particular, official statistics show delivery in Wales on a quarterly basis. According to DECC's latest Quarterly Statistics published in March 2014<sup>4</sup>, of the 528,886 measures that had been installed under ECO to the end of December 2013, 6% were installed in Wales (31,809), which is somewhat greater than the population share figure which is c.5%.
20. In Great Britain, on average, there were over 20 ECO measures installed per 1,000 households, but this increases to 24 per 1,000 households in Wales. This indicates that there is proportionately more ECO activity in Wales compared to Great Britain as a

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<sup>4</sup> <https://www.gov.uk/government/publications/green-deal-energy-company-obligation-eco-and-insulation-levels-in-great-britain-quarterly-report-to-december-2013>

whole. Given the higher incidence of fuel poverty amongst households in Wales, this is clearly helpful.

21. Our own experience of delivery in Wales is one of successful partnership working with local authorities and housing associations. We consider that this is key to facilitating cost-effective delivery at scale across local communities. We have worked closely with the Welsh Government on both the Nest and Arbed programmes, as well as with the Energy Saving Trust (EST) on ESAS Affordable Warmth referrals, to help deliver energy efficiency measures to households in Wales. As stated above, we have been focussed on ensuring that the various schemes operate in a complementary way so as to optimise effective delivery to households in Wales.
22. This focus on ensuring complementary schemes will be particularly important when it comes to implementation of the changes to ECO initially announced by the UK Government at the time of last year's Autumn Statement, and now being considered by the Department of Energy and Climate Change ('DECC') in light of the recent consultation on 'The Future of ECO'. A key element in this is to ensure that the way that the various schemes interact can maximise additionality, thereby optimising cost-effective delivery with the limited resources available.
23. In addition, funding of energy efficiency programmes such as ECO through consumer bills is more regressive than tax-funded schemes. We would therefore urge the Welsh Government to engage with the UK Government on the longer term funding of ECO through taxation.

#### **E. ScottishPower's other company-based initiatives to help customers at risk of fuel poverty**

24. ScottishPower is focussed on delivering a number of other company-based initiatives to help those at risk of fuel poverty. These are summarised below, with specific reference to delivery in Wales where possible:

##### Warm Home Discount

We provide a large element of support to low income and vulnerable households in Wales under the GB-wide Warm Home Discount scheme. In the last scheme year alone (i.e. 2013/14), ScottishPower provided over £2.2m of support to eligible customers in Wales. This amounts to 7% of our total Warm Home Discount spend in that scheme year, which is greater than Wales' share of the population figure which is c.5%.

##### The ScottishPower Energy People Trust

Our charity - The ScottishPower Energy People Trust - has awarded funds of £323,801 to 9 projects across Wales since 2005, helping 9,158 low income or vulnerable individuals at risk of fuel poverty in 7,230 households. See Annex B for a case study example of one of these projects.

##### Community Liaison Officers

ScottishPower operates a dedicated team of Community Liaison Officers, a number of whom operate across Wales, providing face-to-face support and advice to vulnerable customers on all energy issues whenever needed.

##### Winter Commitments

For the last two years we have announced a series of Winter Commitments to help our most vulnerable customers. These included: a commitment to no disconnections through the winter; not putting a limit on broader-group Warm Home Discount spend; suspending debt follow-up for our most vulnerable prepayment customers; and

continuing to remind our quarterly credit customers that they could switch to cheaper tariffs.

#### Priority Services Register

The Priority Services Register is a free service available to customers who may need more support due to an illness or disability. Key benefits include a free gas safety check, a password service (for any representatives such as meter readers to quote when they visit so as to reassure about their identity) and access to bills in an alternative format (including braille, large print and CD).

#### National Debtline

Our partnership with the National Debtline is designed to help those customers showing signs of needing debt advice or otherwise needing help in managing their debt. The National Debtline adviser seeks to work through the individual circumstances of a customer taking into account all income and expenditure. As part of this support work, they also check to see if a customer is entitled to any additional benefits.

**ScottishPower**  
17 June 2014

**Annex A – DECC’s Green Deal and Energy Company Obligation (ECO): January – March 2013 Statistics<sup>5</sup>**

**Table 1.10: Number of Cashback vouchers paid by region, up to 31st December 2013, England and Wales**

Area names	Total number of Cashback vouchers paid	Valid percentage of Cashback vouchers paid <sup>1 2</sup>	Households with at least one usual resident <sup>3</sup>	Cashback vouchers paid per 10,000 households
<b>England and Wales</b>	<b>8,924</b>	<b>100</b>	<b>23,366,044</b>	<b>3.8</b>
<b>England</b>	<b>8,239</b>	<b>95</b>	<b>22,063,368</b>	<b>3.7</b>
North East	248	3	1,129,935	2.2
North West	2,059	24	3,009,549	6.8
Yorkshire and The Humber	969	11	2,224,059	4.4
East Midlands	846	10	1,895,604	4.5
West Midlands	802	9	2,294,909	3.5
East	384	4	2,423,035	1.6
London	658	8	3,266,173	2.0
South East	1,306	15	3,555,463	3.7
South West	967	11	2,264,641	4.3
<b>Wales</b>	<b>448</b>	<b>5</b>	<b>1,302,676</b>	<b>3.4</b>

**Table 1.6: Number of Green Deal Assessments lodged by region, up to 31st December 2013**

Area names	Green Deal Assessments	Percentage of Assessments	Households with at least one usual resident <sup>1</sup>	Green Deal Assessments per 1,000 households
<b>Great Britain</b>	<b>129,842</b>	<b>100</b>	<b>25,738,820</b>	<b>5.0</b>
<b>England</b>	<b>109,685</b>	<b>85</b>	<b>22,063,368</b>	<b>5.0</b>
North East	3,976	3	1,129,935	3.5
North West	17,997	14	3,009,549	6.0
Yorkshire and The Humber	12,739	10	2,224,059	5.7
East Midlands	11,538	9	1,895,604	6.1
West Midlands	18,063	14	2,294,909	7.9
East	8,474	7	2,423,035	3.5
London	12,090	9	3,266,173	3.7
South East	15,855	12	3,555,463	4.5
South West	8,953	7	2,264,641	4.0
<b>Wales</b>	<b>5,875</b>	<b>5</b>	<b>1,302,676</b>	<b>4.5</b>
<b>Scotland</b>	<b>14,282</b>	<b>11</b>	<b>2,372,780</b>	<b>6.0</b>

<sup>5</sup> [Domestic Green Deal, Energy Company Obligation and Insulation Levels in Great Britain- Quarterly report, 20 March 2014](#)

**Table 1.7: Number of 'live' Green Deal Plans by Region, up to 31st December 2013**

Area names	'Live' Green Deal Plans	Percentage of Plans	Households with at least one usual resident <sup>1</sup>	Green Deal Plans per 1,000,000 households
<b>Great Britain</b>	<b>626</b>	<b>100</b>	<b>25,738,820</b>	<b>24.3</b>
<b>England</b>	<b>270</b>	<b>43</b>	<b>22,063,368</b>	<b>12.2</b>
North East	10	2	1,129,935	8.9
North West	23	4	3,009,549	7.6
Yorkshire and The Humber	26	4	2,224,059	11.7
East Midlands	33	5	1,895,604	17.4
West Midlands	33	5	2,294,909	14.4
East	13	2	2,423,035	5.4
London	30	5	3,266,173	9.2
South East	58	9	3,555,463	16.3
South West	44	7	2,264,641	19.4
<b>Wales</b>	<b>8</b>	<b>1</b>	<b>1,302,676</b>	<b>6.1</b>
<b>Scotland</b>	<b>348</b>	<b>56</b>	<b>2,372,780</b>	<b>146.7</b>

**Table 1.11a: Provisional number of ECO measures by ECO obligation by administrative area, up to 31st December 2013**

Area Codes	Area names	Obligation			Total number of ECO measures delivered	Valid percentage of ECO measures delivered <sup>1</sup>	Households with at least one usual resident <sup>3</sup>	ECO measures per 1,000 households
		Carbon Saving Target (CSO)	Carbon Savings Community (CSCO)	Affordable Warmth (HHCRO)				
W92000004	WALES	8,566	3,765	19,478	31,809	6.0	1,302,676	24.4
W06000001	Isle of Anglesey / Ynys Môn	28	14	141	183	0.0	30,594	6.0
W06000002	Gwynedd / Gwynedd	115	18	221	354	0.1	52,473	6.7
W06000003	Conwy / Conwy	375	41	758	1,174	0.2	51,177	22.9
W06000004	Denbighshire / Sir Ddinbych	155	49	696	900	0.2	40,546	22.2
W06000005	Flintshire / Sir y Fflint	422	92	868	1,382	0.3	63,781	21.7
W06000006	Wrexham / Wrecsam	265	51	436	752	0.1	57,029	13.2
W06000023	Powys / Powys	105	3	170	278	0.1	58,345	4.8
W06000008	Ceredigion / Ceredigion	107	3	125	235	0.0	31,562	7.4
W06000009	Pembrokeshire / Sir Benfro	505	79	321	905	0.2	53,122	17.0
W06000010	Carmarthenshire / Sir Gaerfyrddin	269	79	879	1,227	0.2	78,829	15.6
W06000011	Swansea / Abertawe	462	199	1,541	2,202	0.4	103,497	21.3
W06000012	Neath Port Talbot / Castell-nedd Port Talbot	602	210	1,219	2,031	0.4	60,393	33.6
W06000013	Bridgend / Pen-y-bont ar Ogwr	307	234	1,252	1,793	0.3	58,515	30.6
W06000014	The Vale of Glamorgan / Bro Morgannwg	484	61	719	1,264	0.2	53,505	23.6
W06000015	Cardiff / Caerdydd	1,443	921	2,331	4,695	0.9	142,557	32.9
W06000016	Rhondda Cynon Taf / Rhondda Cynon Taf	456	532	3,211	4,199	0.8	99,663	42.1
W06000024	Merthyr Tydfil / Merthyr Tudful	43	152	637	832	0.2	24,264	34.3
W06000018	Caerphilly / Caerffili	773	408	1,534	2,715	0.5	74,479	36.5
W06000019	Blaenau Gwent / Blaenau Gwent	92	192	734	1,018	0.2	30,416	33.5
W06000020	Torfaen / Tor-faen	649	100	509	1,258	0.2	38,524	32.7
W06000021	Monmouthshire / Sir Fynwy	280	1	189	470	0.1	38,233	12.3
W06000022	Newport / Casnewydd	629	326	987	1,942	0.4	61,172	31.7

## **Annex B – The ScottishPower Energy People Trust – Case Study**

### Neath Port Talbot County Borough Council

In December 2009, Neath Port Talbot County Borough Council – Welfare Rights Unit, was awarded £72,930 for a two year project “Fuelling Kids”, which provided comprehensive Welfare Benefits advice within some of the poorest regions in Wales.

The project targeted families most at risk of fuel and income poverty, providing them with Benefit Health Checks, debt and energy efficiency advice. The support workers contacted clients through partnership working with other organisations, running and attending events and through Surgeries at Schools. The funding provided for one full time and one part time support worker for two years.