Rural Energy Consumers Working Group
28 June 2023
Note of Meeting

Opening Remarks

Gillian Martin MSP: Minister for Energy and the Environment opened the meeting and made the following points:

- This Working Group is the next step in progressing the work delivered from the Scottish Energy Summits chaired by the former First Minister in August and October 2022.
- This is the first of three meetings to consider the issues facing Scottish Rural Energy consumers.
- Along with this group, there is also two other Working Groups looking at the challenges facing Non-domestic Energy Consumers and Energy Consumers living within vulnerable circumstances.
- Rural communities face a number of challenges including transport, connectivity and harsh climate. All of these factors contribute to a higher cost of living in rural communities compared to more central areas.
- Many rural communities also tend to have more elderly and vulnerable consumers living within them.
- In order to tackle the complex and unique challenges facing rural energy consumers, stakeholders must work together to tackle these issues.
- The aim of this meeting is to identify measurable actions to be developed in partnership along with a revision of our collective calls upon the UK Government to take action ahead of its Autumn Statement

Agenda Item 1: Challenges faced by Alternative Fuel Users

[redacted] (UKIFDA) opened the session by making the following points:

- Around 130,000 homes in Scotland are supplied with heating oil which is around 5% of Scotland as a whole.
- A much higher proportion (over 20%) of homes in the Highlands, Aberdeenshire and Dumfries and Galloway are supplied with heating oil.
- There are 22 distributors who operate in Scotland with 19 having their headquarters based here and they tend to be family run businesses.
- The styles of homes using heating oil tend to differ from what could be considered the average home. For example, 78% of alternative fuel users live in detached houses (23% of all homes in Scotland are detached). 40% were built prior to 1919 as opposed to only 19% of houses in the whole of Scotland. 86% are owner occupied compared to 50% for gas heated homes.
- Price has been a big issue with the 10-year average being between 50 and 70 pence per litre.

- Immediately following the invasion of Ukraine prices rose to above 110 pence per litre (ppl)
- Prices quickly fell during last summer but remained at 70 to 90ppl due to the dollar exchange rate.
- Current price is around 65ppl, so the price has fallen much quicker than gas and electricity.
- The increase of 50ppl seen last year equates to an average home using 2200 litres leading to an average increase of approximately £1100 per year.
- The UK Government's Alternative Fuel Payment provided all users with a one-off £200 support payment. Although that was still considered inadequate it was viewed as the fairest option in a competitive market
- Using the electricity supplier route to provide support was already established for the earlier £400 payment. This means there is now a database of heating oil users which may be useful for targeting help in the future in a similar way.
- We should acknowledge that the UK support scheme had to be implemented quickly to ensure everyone entitled to the £200 payment received it.
- The delivery of the scheme was based on average UK usage of 1500 litres. However, there is a big difference in usage across the UK and this system unfortunately disadvantaged those in colder climates, particularly those in rural areas of Scotland.
- In the period April 22 to March 23, there was a 20% reduction in kerosene purchasing across the UK.
- There are three possibilities as to why this was the case:
    - consumers had enough kerosene to get through the winter (if this is the case, the problem could then transfer to the winter coming
    - the weather was kinder or
    - there was an element of self-disconnection (which could explain the increase in calls to advice services)
- Budget schemes are sometimes offered but not all firms can take on that credit risk given that many are small and family run.
- The excellent work done by the fuel bank foundation with government backing provided some mitigation. This should continue alongside looking at how to alleviate the credit risk.
- Guidance helped point customers in the right direction such as the fuel bank and citizens advice.
- The upfront costs of decarbonisation remain an issue and consideration should be given to renewable liquid fuels.

The following points were made during the plenary discussion:

- There are issues relating to price increases between the point of an order being placed and delivery of Alternative Fuels. Fuel distributors get supplies from only three sources in Scotland which results in delays and price anomalies.
- The impact of the situation in Ukraine meant that prices moved so quickly that the guarantee of prices from sale to delivery (3 days) was removed and costs were exorbitant.

- There is advice is available to consumers who have disconnected from oil due to poor credit/bad debt.
- UKG intervention on Alternative Fuels arrived too late and was inadequate. This meant that vulnerable, disabled and elderly consumers suffered, therefore, there is a need to ensure the same support is provided for this winter.
- Disconnection is affecting up to 20% in Scotland and 66% of all households off-grid in Highlands and Islands
- It is important to note that alternative fuel users could pay up to twice the fuel costs of mainstream users.

Agenda Item 2: Discussion on energy efficiency for rural households

[redacted] (SFHA) opened the session and made the following points:

- Poor energy efficiency is a key driver of fuel poverty across Scotland and these challenges are more acute in rural areas.
- In rural areas there is a greater proportion of older and less efficient properties which is particularly the case with solid wall constructions.
- There is also a tendency for the properties to be larger which means there is more space to heat and greater external surface areas for heat to escape.
- Rural homes also tend to have less access to the gas network which limits the types of heating systems they can use.
- Also have to consider the weather challenges facing rural consumers including the exposure to wind driven rain and colder temperatures which can impact on condition of the fabric and how hard heating system needs to work to reach a comfortable temperature.
- The cost of retrofit measures is another challenge faced by rural energy consumers.
- Some homes may require measures like solid wall insulation which is more expensive than normal cavity wall and older homes in particular may need more bespoke solutions.
- There are also similar challenges for heating systems as older housing stock is often deemed not suitable for heat pumps without costly fabric upgrade measures.
- Delivery challenges in that some areas can't offer same concentration of properties to deliver economies of scale in comparison to central belt areas.
- Labour costs higher due to additional costs associated with travel and providing accommodation for workers.
- There are also issues around accreditation requirements to consider. For example, feedback has shown that while PAS 2030/35 retrofit standards are, intended as a quality control measure, they are having a negative impact in some rural areas.
- This is due to a lack of local installers who can meet this requirement and the fact that the cost and time resource required is not feasible for smaller contractors.
- Feedback also suggests that there is sometimes an issue around distrust in non-local firms and a perception of lack of accountability where contractors from the central belt do the work and then leave.

- These are all very important factors to consider as the areas which need energy efficiency improvements the most along with access to government support are faced with these additional barriers.
- We also need to consider the wider issue of a lack of affordable homes across Scotland which again, is more acute in rural areas.
- While the Scottish Government's commitment to build 11,000 new homes in remote and rural areas by 2032 will help with increasing the number of energy efficient homes in rural areas, it doesn't help address the immediate shortage at the moment.

The following points were made during the plenary discussion:

- Rural Housing Action Plan is due to be issued shortly and communication with local communities around this is vital.
- Development of Park Homes is a great way to get additional housing and to get it quickly.
- However, utility provision and costs are difficult due to park managers being able to apply some rules and regulations in a way which leads to excessive additional costs for Park Home residents.
- Introducing easier access to energy efficiency measures for park homeowners, such as solar panels, would be very beneficial to them but it tends to be the case that landlords/park owners are reluctant or unable to make the investment.
- Awareness of available schemes such as ECO and Great British Insulation Scheme need to be better advertised along with the Scottish specific schemes.
- Group are aware of the UK Government's intention to consult on future support for domestic consumers with non-domestic energy contracts which is a good opportunity for members to feed in their views.
- The accreditation process for contractors must be simplified to allow smaller, local contractors easier access to the right training and accreditation.
- In order to get consumers to improve their energy efficiency we need to think about the advice component, the finance component and an installation component.
- In many ways, Scotland is in a better position than other parts of the UK for advice and finance as a result of the commitments delivered by the Scottish Government, but part of the difficulty is around installation.
- Home Energy Scotland is doing a lot of work with supply chain around installation and continues to emphasise this is a long-term piece of action, but a lot of industry remains sceptical.
- Need to consider the challenges faced by remote rural areas. These include no access to gas (not less) worse weather lower, lowering populations, connectivity and less available childcare. These challenges make it very difficult for remote rural areas to contribute to the wider community wealth agenda.

Agenda Item 3: Discussion on smart meter uptake in rural areas

[redacted] (Smart Energy GB) opened the session and made the following points:

- The Smart Energy GB campaign is a mass campaign which was seen as the best approach to support take up of smart meters.
- Support for consumers living within vulnerable circumstances is built into the campaign articles.
- The smart meter rollout is supplier led with universal policies and targets which apply equally across geographies and customer types.
- This approach allows suppliers to make their own choices about the most effective rollout strategy.
- The potential consumer benefits of smart are big but if they're going to be realised the benefits must be apparent & trust must be retained.
- Recent activity in rural areas includes a round table organised by MSPs in Orkney (soon to be another in Shetland) with the smart digital communications company organised about the rollout in their area.
- Smart Energy GB are also working with the Department for Energy Security and Net Zero, the Scottish Government and local authorities.
- Arqiva (who oversees the network in Scotland) has reported that **99.4% of households** in Scotland and the North of England can receive coverage for the smart meter rollout.
- The DCC is obligated under the conditions of its licence to maximise the overall coverage of its network over time where it is practical, and cost assured to do so.
- Smart Energy GB have received many enquiries from MSPs regarding concerns for constituents' coverage in remote areas but once investigated, over 90% of requests actually had coverage.
- Smart Energy GB keen to more work around coverage and perception.

The following points were made during the plenary discussion:

- Still consumers living in rural and remote areas who are not convinced of the benefits of smart meters.
- There are many benefits to having a smart pre-payment meter and it tends to be a better experience than a traditional pre-payment meter. These benefits include being able to top up over the internet.
- Citizens Advice have a big backlog of consumers who are waiting on having a smart meter installed including those with health conditions and young children. These people are experiencing issues such as debt and incorrect billing. In some cases, these people are waiting for up to three years to have a smart meter installed.
- Recognition that delays in rollout have been caused by the Covid-19 pandemic and supplier backlog issues.
- Radio Teleswitch switch off is a huge concern for social housing consumers in rural areas.
- The uptake across the housing associations is higher than the average.

- Government support through energy vouchers is a lot easier to target with smart pre-payment meters in comparison to traditional ones.
- Smart meters allow suppliers to apply emergency credit and non-disconnection periods to keep ore consumers on supply over the winter.
- Need to think about whether there are any housing or planning rules that can help increase rollout.

Agenda Item 4: Outcomes and Closing Remarks

Mairi Gougeon MSP; Cabinet Secretary for Rural Affairs, Land Reform and Islands, closed the meeting by thanking all participants for their valuable contributions in discussions around such important issues then handed over to Scottish Government officials to summarise the following actions to be progressed:

1. **Alternative Fuels**

a) Partners to work together to explore ways to ensure alternative fuel users are not experiencing shortages or disconnecting due to high prices ahead of the winter.
b) Work to articulate our call upon the UK Government to take action to ensure off-grid consumers are treated more equally to those who are on-grid in relation to energy prices.
c) Look at ways we can raise the profile of Home Energy Scotland and the services it offers for alternative fuel users.

2. **Housing**

a) Look at ways in which park homeowners can access energy efficiency measures.
b) Seek clarity from the UKG on how consumers who are using non-domestic contracts will receive support with energy bills in future.
c) Work on developing a remote rural element into our work when considering the challenges facing rural energy consumers.

3. **Smart Meters**

a) Explore ways in which we can work with suppliers to speed up the roll out in rural areas including ensuring consumers requiring a smart meter are on a waiting list and remain on it.
b) Work with SmartMeter GB and partners on issues relating to Radio Teleswitch System in rural areas.
c) Assess other policy areas and processes such as planning and housing to explore ways in which we can increase rollout.

Scottish Government Energy Consumers Team
28 June 2023