



Rural fuel poverty – Welfare Powers & Scotland Bill

Introduction

Approximately 200,000 homes in Scotland are rural off-gas grid. Calor operates within this off-gas grid market supplying bulk and cylinder LPG to homes and businesses across Scotland giving the company unique insights into this issue.

Calor is greatly encouraged that Scottish Government schemes, including the Energy Assistance Scheme, take account of off-grid measures such as replacement LPG and oil condensing boilers. Despite this recognition, it is clear that ECO and Area Based Schemes still find it difficult to penetrate into off-gas grid areas of the country, in large part due to how 'rural' is classified and the underlying way in which energy efficiency is measured by Energy Performance Certificates (EPCs) that distort the reality off-gas grid.

Key Policy Recommendations

- Bring forward the payment of the Winter Fuel Allowance to enable off-grid fuel poor households to bulk buy their fuel for winter during the summer when costs are lower
- Ensure that current and future government energy policy does not unfairly disadvantage rural off gas grid householders – this will require a new approach to the way off-grid homes are assessed. Scotland will have greater power to influence how schemes such as ECO and Warm Home Discount Fund will be delivered via the Scotland Bill.
- Define 'rural' off gas grid properly for schemes such as ECO and focus activity accordingly. The current definition is too broad and includes rural market towns on the gas grid.
- Mandate ECO suppliers to deliver a fair proportion of total energy efficiency measures into rural areas equivalent to the % of rural off-gas grid homes overall.

Winter Fuel Allowance

In light of the powers due to come to the Scottish Parliament via the Scotland Bill, Calor believe that a key priority should be to bring forward the payment of the Winter Fuel Allowance to the summer when fuel is generally cheaper. By moving forward this payment for people who live in rural off-gas grid households, fuel poor households would be able to buy considerably more fuel for the winter with the same level of funding. This simple change could make a big impact in rural hard to reach areas and go a long way towards the current targets for eliminating fuel poverty.

Access to energy efficiency schemes for rural householders

Historically energy efficiency schemes such as ECO (Energy Company Obligation), have failed rural consumers due to the way these schemes have been designed and then implemented. Despite off-gas grid households making up nearly 11% of all homes across the UK, only 2% of all measures delivered by ECO have been in off-gas grid rural areas (household with either heating oil or LPG as the main fuel type).

These failures have primarily been the result of an inadequate definition of rural. Under ECO, the current definition is settlements with less than 10,000 people. This means that ECO suppliers (Big 6) can achieve their legal obligations under ECO without going anywhere near the rural off-gas grid. Calor would argue that we need to better define what a rural area is, and then target appropriate measures.

Calor believe that ECO suppliers should be mandated to target off-gas grid areas and deliver a fair proportion of total measures into these harder to reach areas. This proportion of measures delivered to off-gas grid households should be equal to the percentage of off-gas grid homes in the UK.

Scotland Bill powers

Powers to determine how supplier obligations in relation to energy efficiency and fuel poverty, such as the ECO and Warm Home Discount, are designed and implemented in Scotland will be devolved via the new Scotland Bill. Although the Scottish Government will not have control over how ECO will be funded, it will have the power to change how the obligation is delivered by the main electricity suppliers.

Energy Performance Certificates

Calor Gas has been critical of the design of EPCs for over a decade – in England, Wales and Scotland. As the principal measure on the EPC is based on running costs (£s) they are unreliable as a measure of “energy efficiency” in off-gas grid areas.

The current EPC system also disadvantages off-grid properties as it grades houses by their notional cost of providing energy for heating and hot water per square metre in the form of bands from A (cheap to heat) to G (expensive to heat). As all energies used to heat properties in off-gas grid Britain (heating oil, electricity, solid fuel and LPG) are more expensive than natural gas then it follows that any buildings’ EPCs will automatically score lower grades – typically at least one if not two grades lower i.e. an ‘F’ (rural) rather than a ‘D’ (urban).

This has serious implications for the future treatment of rural property owners as the UK Government has made it clear that it is using EPC ratings to prioritise activity under the Energy Company Obligation as well as to limit the availability of energy efficiency incentives.

HEEPs and REEPs:

The Scottish Government’s Home Energy Efficiency Programme for Scotland (HEEPs) includes an Area Based Scheme (ABS), whereby, responsibility for delivery of the programme has been given to local authorities, who are expected to be able to target the funding based on their understanding of housing stock and their own Local Housing Strategies. However, funding is still allocated based on a mix of data, including SIMD, council tax banding and the Scottish House Condition Survey. The ABS scheme targets hard-to-treat housing with solid wall insulation and is designed to lever ECO funding in to Scotland. However, to date, it is not clear how many homes have benefited and in what areas.

The Scottish Government has also promised to implement ‘Regulations for Energy Efficiency in the Private Sector’ (REEPs), although any consultation on this has now been delayed until after the 2016 Scottish Parliamentary elections. It is likely that these regulations will be enforced on point-of-sale. I.e. homes will need to meet a certain EPC score before they can be sold. Unless the principles of financial sustainability and equitability are enshrined, there is the possibility that these regulations could disproportionately disadvantage rural home owners. The REEPS working group intends to use Energy Performance Certificates (EPCs) to underpin the regulations.

For off-grid homes, this could be very expensive for the following reasons:

- The REEPs technical working group recognises the flaws with EPCs and is exploring the possibility that off-grid and hard-to-treat housing would require ‘variability’ in setting standards. However, it remains the case that it will be more expensive to retrofit hard-to-treat houses off grid to achieve a higher grade than on-grid.
- REEPS could exacerbate the existing disadvantages experienced by rural homeowners. Access to the RHI and FIT is determined by a minimum EPC rating (D or higher), so in order to meet a future REEP standard, many rural homeowners will not have equitable access to funded incentive schemes in order to improve their property’s EPC rating.

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