

## **Scottish Task Force on Rural Fuel Poverty** **Submission from Scottish Gas**

### **Overview of issues**

- Scottish Gas is delighted to have the opportunity to provide input into the current examination into rural fuel poverty in Scotland. With 38% of rural homes experiencing fuel poverty, against a national average of 26%. Scottish Gas recognised the importance of addressing this issue.
- We hope that, as one of the major providers of energy and energy services in Scotland we can offer some insights into the issues we see in terms of tackling fuel poverty and helping consumers in rural areas to heat their homes as cost effectively as possible.
- Set against this context there are a range of underpinning issues that most frequently exacerbate rural fuel poverty. From the perspective of an energy company, operating in communities across Scotland, these include:
  - Scotland has a high proportion of off gas properties which leads to a higher proportion of consumers being exposed to higher costs of heating oil or solid fuels, which are deregulated and not mandated to offer services for vulnerable customers. According to Energy Action Scotland, “almost a half of all households using solid fuel or oil to heat their homes were fuel poor in 2008”.
  - In addition to relatively higher cost of solid fuel and heating oil off gas households cannot benefit from discounts offered by suppliers to dual fuel customers.
  - Traditionally constructed homes, which exist in a higher density in rural areas, are hard, and expensive, to treat.
  - Fuel poverty schemes are not designed with rural properties in mind. Scottish Gas believes that there may be an opportunity, with the devolution of the delivery of the suppliers’ obligation to the Scottish Parliament, to address this and this is discussed in more detail below.
  - Consumers in rural areas without access to mobile connectivity may also fail to benefit from the roll out of smart meters, and again this is discussed in more detail within this submission
- Based on Scottish Gas’s experience of working with rural communities enabling factors include:
  - Building a strong referral network including energy saving advice providers, local support agencies, local authorities, third sector organisations, health and social services, energy companies and the Scottish Government.
  - Stakeholder co-operation, recognising that effective fuel poverty action requires the co-operation of a wide range of stakeholders e.g. the Scottish Government, local government, the UK Government, RSLs and housing associations, NHS, CAB, Age Scotland plus local trusted on the ground organisations to identify and refer households/applicants for support.

- Improving household energy performance is key however changing consumer behaviour is a major challenge across Urban and Rural and improving the energy performance of homes.
- The creation of Oil buying syndicates which is being explored in Wales. Link below in terms of background.

### **Energy Companies' Obligation**

- It is the view of Scottish Gas that a supplier obligation like ECO is not the right mechanism to tackle rural fuel poverty in Scotland.
- While the roll out of cost effective measures at scale is something that we are well equipped to do and we have a well-established infrastructure and supply chain to deliver it, we are less well equipped to deliver more targeted energy efficiency programmes aimed at a particular type of households with particular needs e.g. rural properties in need of a specialist treatment.
- Funding energy efficiency programmes through energy bills is less socially regressive if access to funding is spread amongst a large group of bill payers. The fewer people have access to such funding (as it may be the case in tackling rural fuel poverty in Scotland), the more socially regressive it becomes.
- Energy suppliers are often unaware which households are in fuel poverty, and without access to govt data we do not know how the fuel poor are, and what support they require. While we welcome DECC's efforts to improve targeting of the fuel poor and improve data sharing, different definition of fuel poverty between England, Scotland and Wales and the lack of available data make it difficult for energy suppliers to operationalise delivery.
- We are of the view that rural fuel poverty is best tackled through a national scheme funded by the taxpayer. As fuel poor households are generally known to government this approach would ensure that those in deepest fuel poverty can be identified and can benefit from appropriate support.

### **Smart Meter Roll Out**

- Scottish Gas is leading the industry's smart meter roll-out and has installed over 100,000 smart meters in homes across Scotland.
- We believe Smart meters will be transformative in terms of putting customers in control by providing information about energy consumption in near real-time.
- Scottish Gas's view is that the smart meter roll out can make engagement in the energy sector for those in rural areas easier - complaint levels from smart meter customers were around 20% lower than that of standard meter customers in 2014.
- As part of the backdrop to the smart meter roll out Scottish Gas has looked at savings offered to our customers. This study is at an early stage, however there are indications that smart meter customers are saving on average 2% a year. Smart meters are a gateway technology. We expect savings on bills to increase to 5% once new tools are provided, such

as time-of-use tariffs and the interactive online tool (my energy) which will provide the advantage of showing a breakdown of energy use by day, week and month.

- At the same time Scottish Gas with British Gas is currently trialling offering smart meters to over 6,000 customers with Pay As You Go meters. It is expected that consumer benefits will include easier to top-up particularly for people who struggle to get to shops. We see this as offering a distinct benefit to customers in rural areas. Following the installation of a smart meter customers will be able to top up over the phone, online or via an app.
- In spite of issues around connectivity, Scottish Gas's figures for smart meter roll out are good for some rural areas, against country wide pro rata rates. We are currently actively looking at how we have achieved this to see if lessons can be learned about how we can accelerate offering smart meters in more rural areas.
- However we also know that our performance varies significantly and is undoubtedly influenced by connectivity problems that we can experience (i.e. availability of GPRS/cellular network to commission a smart meter) whilst installing the communication hub and meter.
- **Scottish Gas would therefore invite the task force on rural fuel poverty to consider what could be done to improve connectivity across Scotland and how we can better inform rural communities of the benefits of the smart meter roll out.**

#### **Vulnerable customer support**

- It is Scottish Gas's view that the provision of advice services for fuel poor is a crucial element of the offer for rural fuel poor households
- The provision of such services has two related but distinct elements: firstly as an energy company we must look to our operations to identify how we recognise and flag vulnerable customers internally within the business. Secondly we need to look towards the outreach advice services we fund in communities across Scotland and the rest of Britain.
- In terms of the first of these, across the UK British Gas has nearly 1.5m elderly and vulnerable customers registered on our Priority Services Register offering services such as alternative bill formats, free gas safety checks and adaptors.
- In addition we have completed a rolling out 20,000 hours of training on vulnerability awareness to our employees, and we are conducting a review of what we do for every customer with a disability or long-term health issue to ensure that we provide the support they need. These are just two examples of our work to improve our offering for vulnerable customers.
- In terms of the second element, we invested over £12m in 2014 in the British Gas Energy Trust (BGET) - an independent charity that provides advice and household grants to those in need of assistance.
- Over the last decade, BGET has given a total of £75m to 120,000 households across the UK.
- Through its Organisational Grants Programme, BGET funds specialist debt advisors in organisations across Britain. Many of these advisers take part in outreach activities aimed at

going out to reach those people who may not necessarily hand raise for help. Types of activity undertaken include:

- **Specialist funded advisers in local hospitals** – they explain the importance of a warm home in order to stay healthy – offering support from BGET and energy efficient boilers
  - **Some advisers go to local community events** they are aware of to befriend people, gaining their Trust to explain the type of help available, this includes activities like local 'knit and natter' groups and coffee mornings.
  - **Some advisers have been local radio** for Q&A style sessions and to promote the services available.
  - **Funded organisations also work with other key partners** to promote BGET and their service to ensure people get holistic help, rather than being passed on to different partners.
- **We understand the significance of face to face engagement, particularly in rural areas and we would be delighted to work with the task force to explore if similar programmes might be valuable in Scotland and how better to target these at rural fuel poor customers:**

### **Fuel Poverty and Health**

- Scottish Gas is engaging in an examination of the relationship between fuel poverty and health
- We understand that people struggling financially are known to have increased stress levels and mental health problems and that a number of health conditions, including cardiovascular and respiratory diseases, are caused by living in cold conditions
- To recognise this BGET funds centres to pilot working directly with GPs and health professionals, to support people in fuel poverty with physical or mental ill health or with a disability.
- Health Professionals identify patients who need the help and refer them to their partnered specialist energy advisor, to arrange a face to face consultation meeting, directly with the patient.
- This 'referral by prescription' approach supports local healthcare strategies and long term aims to optimise GP appointments and prescription costs.
- At the same time Scottish Gas is working at a policy and thought leadership level to raise understanding of the importance of referrals by GPs and others. British Gas has already run a round table event on the issue in England and we are looking to run further round tables in Wales and Scotland to promote debate.
- We hope to work with the Royal College of GPs in Scotland (replicating work we are doing elsewhere in the UK) on a referral programme which is now being piloted and is planned to be rolled out across Scotland, Wales and England. This scheme has recently received over £100,000 worth of funding from BGET's Healthy Homes programme.

- During pilot phase rolled out between July and December of last year. 750 patients had been seen and over £8m of debt managed. All patients had received energy efficiency advice and 492 had benefit and income maximisation checks, with 220 receiving financial capability advice.
- **Scottish Gas would be happy to share our learnings from this pilot with the task force and to work with the group to identify how such schemes could be shaped to benefit the rural fuel poor.**
- **We are keen to remain engaged with the task force, as their examination of this important issue gathers pace and would be happy to provide further insight, or more details on some of the issues addressed in this submission, should the group think that this would be helpful.**

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