LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

FUEL POVERTY (TARGET, DEFINITION AND STRATEGY) (SCOTLAND) BILL CALL FOR VIEWS

SUBMISSION FROM SCOTTISH AND SOUTHERN ELECTRICITY NETWORKS

About Us

Scottish and Southern Electricity Networks (SSEN), acting under licences held by Scottish Hydro Electric Power Distribution plc, and Southern Electricity Power Distribution plc, owns and operates the electricity distribution networks in the north of Scotland and central southern England, supplying over 3.8 million homes and businesses. SSEN, under licence held by Scottish Hydro Electric Transmission plc, also owns, operates and develops the high voltage electricity transmission system in the north of Scotland and remote islands.

SSEN employs around 4,000 people in the UK and has invested over £3bn into national infrastructure over the last three years. SSEN also has a strong record of helping to facilitate low carbon technology and since 2010 we have connected over 5GW of wind and solar generation capacity to our networks.

As a regulated business, we are an active and responsible participant in supporting fuel poverty and energy efficiency initiatives, especially within our role as DSO for Scotland’s remote island communities.

Our priority is to provide a safe, efficient and reliable supply of electricity to the communities we serve. We manage, maintain and operate roughly 130,000km of overhead lines and underground cables across the UK, in addition to over 100 subsea distribution and transmission cables which power our remote island communities and provide strategically important electricity links in rural Scotland (such as Kintyre-Hunterston and Caithness-Moray).

Executive Summary

SSEN welcomes the opportunity to provide some feedback on the Local Government and Communities Committee’s call for views on the Fuel Poverty (Scotland) Bill. We are supportive of all policy efforts that aim to improve the warmth and energy efficiency of Scotland’s households to help tackle fuel poverty, and we welcome the general principals of the bill and the targets it aims to meet.

As a regulated business that maintains and invests in the electricity network in the north of Scotland and the islands, we are keen to share feedback on wider fuel poverty strategies from a networks perspective to support a “whole system” approach – as outlined in the Scottish Government’s Energy Strategy.

A summary of the key points from our detailed response can be found below:

- **We are wholly supportive of policy measures that will help to support energy efficiency and reduce levels of fuel poverty in Scotland**, especially
for our most vulnerable customers and for those that are more susceptible to fuel poverty related difficulties as a result of geographical location and other wider factors.

- **The electricity network has a key role to play in facilitating the transition to a low carbon economy and supporting with measures to tackle fuel poverty levels as we move to a more flexible and responsive “whole-system” approach for energy.** We believe that opportunities that the transition to DSO could bring to fuel poor customers should be explored further within the Scottish Government’s strategy, especially for rural and island communities that may be more exposed to fuel poverty impacts.

- **While a huge opportunity, the flexibility revolution also provides one of the biggest challenges for our future network in Scotland.** We would welcome the opportunity to further engage with Committee members and the Scottish Government on this topic to ensure that all opportunities to innovate and support the transition to a more energy efficient system is maximised in Scotland for the benefit of consumers.

SSEN’s detailed submission to the consultation can be found below:

1) **Do you agree with the Scottish Government’s proposal to provide for a statutory target to reduce fuel poverty to no more than 5% of Scottish Households by 2040?**

We are supportive of all policy measures that will help to support energy efficiency and reduce fuel poverty especially for our most vulnerable customers. Whilst we are not best placed to comment on the specific target and timeline for achieving the target, we do recognise that setting a target helps to focus and align ambitions for tackling fuel poverty in Scotland and would encourage this to be as ambitious as is practically possible, informed by a robust evidence base and the views of a broad range of stakeholders with recognised expertise in fuel poverty.

2) **Do you agree with the Scottish Government’s proposals for a revised definition of fuel poverty?**

We welcome the Scottish Government’s new definition of fuel poverty as outlined within the bill and believe that the inclusion of MIS to determine a minimum standard of income is useful as part of the definition criteria.

We note that MIS has been used as part of the Living Wage calculation for many years in the UK, and SSEN, as part of the wider SSE plc Group, is proud to be one of the first large scale employers to sign up to the Living Wage Foundation’s campaign in 2013 for the benefit of both our direct employees and wider supply chain.
3) Do you agree with the provisions in the Bill requiring the Scottish Government to publish a fuel poverty strategy? Do you also agree with the consultation requirements as set out in the strategy?

We welcome requirements set within the Bill regarding the publication and consultation on a fuel poverty strategy for Scotland. This will help to outline key actions and highlight key agencies that can support in tackling levels of fuel poverty, as well as measure progress in meeting set targets, both interim and long term. We are supportive of the consultation requirements which we hope will allow relevant organisations, as well as those with direct experience of fuel poverty, to influence and shape priorities as the strategy progresses.

As the network owner in the north of Scotland, we hope we will be included as a stakeholder during the consultation process as we have a keen interest not only in how we can better support our more vulnerable customers but also in understanding the impact that developments in energy efficiency and heat may have on our networks as we prepare and seek feedback on our future business plans for the next price control period, RIIO-2.

Once finalised, our business plans will be used to guide the direction of both our Transmission and Distribution businesses during the early 2020’s and therefore getting this right, and gaining a clear understanding of the needs of our customers, will be hugely important to deliver on our business objectives and meet our regulatory requirements.

Cost efficiency is one of our key considerations when developing required reinforcements to our network to ensure we deliver the most economic investments for our customers. Our regulatory obligations require us to ensure a robust and reliable service whilst ensuring that all possible options for cost efficiency are explored to ensure best value outcomes for our customers. We would welcome the opportunity to be consulted on the long term strategy for reducing fuel poverty in Scotland so that wider social policy objectives can be adequately factored into long term our plans for customers and bill payers.

We read the draft strategy with interest and particularly support measures to improve partnership working with key organisations and local authorities which will be key to implement the successful delivery of the fuel poverty target via energy efficiency improvements and initiatives. SSEN would welcome the opportunity to be considered as a key partner during this process too. Supporting our most vulnerable customers is at the forefront of how SSEN operates and through engagement and training with key agencies and partners, we seek to understand our customers and their needs better, especially those that may qualify as vulnerable due to personal circumstances.

SSEN has been working closely with Home Energy Scotland to create a two-way referral system for customers that may require additional support – we refer those that may need advice on how to make their home more energy efficient if we spot signs of vulnerability, and Home Energy Scotland refer customers to SSEN that may benefit from PSR support during outages. It’s a positive two-way relationship that demonstrates how agencies working together can deliver much more beneficial outcomes for customers than working in silo.
In summary, we believe that to successfully deliver the objectives as outlined in the strategy it will be important to ensure all key players and partners are engaged and working in alignment to achieve policy goals.

4) Do you have any views on the extent to which the measures set out in the draft Fuel Poverty Strategy for Scotland 2018 will contribute to meeting the Government’s new target? Have lessons been learned from previous initiatives?

We feel the draft strategy makes a conscious effort to focus on wider issues, causes and solutions to tackle fuel poverty; however from a networks perspective the role that the move from DNO to DSO could play should be further explored. We believe that the distribution network in particular could provide new and innovative ways to support with energy efficiency initiatives by providing the capacity to accommodate and flexibly manage increasing electrical demand and respond to changes in demand and supply patterns to support with fuel poverty ambitions.

While the move to DSO presents many innovative opportunities to help tackle fuel poverty and support energy efficiency, the flexibility revolution also presents challenges to our network area in terms of implementation, infrastructure development and partnership building. SSEN is taking an active role in exploring innovative opportunities, including project trials, to enhance our network and learn more about the benefits that DSO can bring to our customers. Further information on some examples of these trials, such as project SAVE and the Shetland NINES project, can be found below:

Case Study 1 – Project NINES, Shetland

Through the NINES project in Shetland we are introducing new methods to manage the electricity distribution network more effectively. The project has been developed by SSEN in association with a range of local stakeholders, including Shetland Islands Council, Hjaltland Housing Association and Shetland Heat Energy and Power. This will allow renewable energy to play a bigger part in meeting Shetland’s energy needs.

To achieve this, we are using large and small scale energy storage solutions combined with an active network management (ANM) system to create a smart grid in Shetland, building on our experience of developing the Orkney Smart Grid. The project is also providing more comfortable and affordable heating through installation of smart electric heating systems in up to 750 houses.

Case Study 2 - Project SAVE, Solent

The SAVE project, which received funding from Ofgem’s Innovation Fund in 2014 and began in 2015, trials to what extent energy efficiency measures can be considered as a cost effective, predictable and sustainable tool for managing peak demand as an alternative to network reinforcement. Targeting domestic customers only, it utilises monitoring technology alongside innovative approaches to engagement.
The project is based in Solent and its surrounding area in the South of England, which is representative of much of the UK in terms of electrical networks, residents, electrical demand levels and the challenges these can cause for Distribution Network Operators.

On completion of the project in Winter 2018 a Network Investment Tool will be produced, allowing Distribution Network Operators to assess a network’s suitability for demand reduction through energy efficiency measures and allow informed investment choices to be made between using customer engagement and energy efficiency measures as opposed to traditional measures.

For further information on Project SAVE please visit: https://www.ssepd.co.uk/save/

In November 2017, we published our Supporting a Smarter Electricity System report seeking views from stakeholders on the topic of our role in supporting a smarter electricity system. This was a joint consultation with our Transmission and Distribution businesses under our joint Scottish and Southern Electricity Networks brand.

While currently engaging on the approach that we should take in the transition to DSO, we are already working with other network companies to assess the feasible models for this transition and the roles of different parties within this. This is being undertaken as part of the Open Networks project run by the ENA and our focus in this is to ensure that distributed energy providers are enabled to compete in this flexibility market and ensure the best outcome for consumers.

We would welcome the opportunity to further engage with Committee members and the Scottish Government on this topic to ensure that all opportunities to innovate and support the transition to a more energy efficient system is maximised in Scotland for the benefit of consumers.

5) Do you have any views on the Scottish Government’s reporting requirements to the Scottish Parliament, as set out in the Bill?

We have no comments on the reporting requirements and agree that this will help to promote accountability in terms of meeting targets and actions as outlined in the final strategy.