LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

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

SUBMISSION FROM SGN

Section 1 sets out the Scottish Government’s target to reduce fuel poverty to no more than 5 per cent of Scottish Households by 2040.

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 per cent of Scottish Households by 2040. Please explain your reason why. For example, is the statutory target necessary? Is the target ambitious enough? Is it realistic and achievable?

SGN see it as important that the long-term ambition to eradicate fuel poverty is maintained. However, we also recognise there is a balance to be struck between this ambition and the deliverability of a new statutory target taking into account the lessons learnt from the previous approach that aimed to eradicate fuel poverty in Scotland by November 2016.

In the earlier consultation on ‘a fuel poverty strategy for Scotland’ we questioned whether a sufficiently high energy performance standard was being targeted if the new target was for the fuel poverty rate to be no more than 10% by 2040. We believe the 5% target is achievable if there is enough action to improve the poor thermal efficiency of homes and to connect fuel poor customers living in close proximity to the gas network.

Figures show those without mains gas in Scotland are twice as likely to be in fuel poverty as they are reliant on more expensive and higher carbon fuels such as oil to heat their homes. Extending the gas network continues to be one of the most effective levers to combat fuel poverty. The delivery of gas network extensions alongside thermal efficiency upgrades are therefore key to the deliverability of the new fuel poverty target.

Scottish Government funding for in house central heating measures has been key to us delivering over 17,000 free or discounted gas connections to fuel poor customers in Scotland since 2013. The continuation of Scottish Government central heating funding through our next price control period from 2021 will be key to enable thousands more Scottish customers to move out of fuel poverty.

The Scottish Government’s Energy Strategy highlights there is a clear pathway to decarbonisation utilising the existing gas network to transport lower carbon gas such
as biomethane, bioSNG and hydrogen. This pathway has been shown to be lower cost and less disruptive for customers than those that rely on high levels of electrification. We’ve already started the process to make our gas network fit for decarbonisation with the annual needs of over 85,000 Scottish homes being met by the green gas biomethane. This is created by the breakdown of organic material by anaerobic digestion (AD). The amount of biomethane being injected into our network continues to increase. We will also look to start injecting BioSNG which is produced by the gasification of household black bag waste in the coming years. In addition, we are looking to start blending hydrogen and strongly welcome the Scottish Government’s support for our H100 project to demonstrate the viability of constructing and operating a 100% hydrogen distribution network in Scotland.

Section 2 makes provision for a proposed definition of fuel poverty which calculates the proportion of household income required to maintain a satisfactory level of heating and assesses the extent to which households can then maintain an “acceptable standard of living” once housing and fuel costs are deducted.

Do you agree with the Scottish Government’s proposals for a revised definition of fuel poverty? Please explain your reasons why. For example, will the new definition ensure that the Scottish Government will focus their efforts on those with the greatest need?

SGN support the Scottish Government’s intention to move towards a definition that better targets those in fuel poverty by setting an income threshold that removes the issue of higher income households with high energy costs being classed as fuel poor. We believe this change will increase the accuracy of identifying households likely to be experiencing adverse outcomes associated with fuel poverty.

We believe the use of after housing cost (AHC) income has the potential to allow for more accurate categorisation of those in fuel poverty rather than the use of income levels alone. However, while it does increase the accuracy it also increases the complexity significantly and we have some concerns over its deliverability because of the level of household data required to measure such a definition. We believe more thought and analysis may be needed on the benefits of a more accurate definition versus the complexity of measurement using it.

Experience of working with a similar AHC income and “high heating cost” in southern England, has given us insight into the challenges of working with this type of model. To make the delivery of all measures effectual we ask that a single simple calculator be made available to all organisations. This will ensure there is a single methodology and standardise the results. When a household has been proven eligible they should receive a declaration to avoid the need to share personal information and establish eligibility with every supplier or provider, similar to the ECO flex declarations available since ECO2t. We also request this calculator be established with the support of a
single point of contact as recommended in the NICE guidance. In addition, it should include all the benefits identified in that recommendation which are in line with the current provision of the Home Energy Scotland service.

Sections 3-5 requires the Scottish Government to publish a fuel poverty strategy within a year of Section 3 of the Bill coming into force. It requires them to consult on the strategy, which must include individuals who are living, or have lived, in fuel poverty.

3. Do you agree with provisions in the Bill requiring the Scottish Government to publish a fuel poverty strategy? Do you also agree with the consultation requirements set out in relation to the strategy?

Yes, an overarching fuel poverty strategy is needed to drive short term action towards interim milestones and the long-term target. We see a need for the strategy to drive short term action to reduce the number of Scottish households in fuel poverty. This is key to ensure efforts to meet the new 2040 target are not backloaded and dependent on uncertain potential cost reductions for low carbon heat technologies like electric heat pumps which in the short term would increase fuel poverty due to their higher running costs.

We support the proposed requirement to consult individuals with experience of living in fuel poverty. This should help drive the delivery of measures in the short term such as a gas connection that can make an immediate reduction in fuel bills.

4. A draft fuel poverty strategy was published alongside the Bill on 27 June. 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 believe there is not enough in the strategy around short-term actions to enable more Scottish households to access more affordable and lower carbon fuels. Scottish Government’s own statistics show those without mains gas are twice as likely to be in fuel poverty as they are reliant on more expensive and higher carbon fuels such as oil to heat their homes. Extending the gas network continues to be one of the most effective levers to deliver long term reductions in heating costs for customers.

Since 2008 we have provided over 30,000 free or discounted connections to our network to those who are fuel poor or in vulnerable circumstances under the Fuel Poor Network Extension Scheme (FPNES) administered by Ofgem. Scottish Government funding for in home central heating measures has been key to enable us to exceed our fuel poor connections target in Scotland for the RIIO-GD1 price control period. As one of the most successful levers to reduce fuel poverty in Scotland it is key central heating funding is continued as part of the new strategy.
The in-fill method defined in the ECO flex guidance for local authorities to make the provision of solid wall insulation more effective could be deployed when looking to install gas network infrastructure. This would increase the plausibility of connecting streets where there are many fuel poor customers but they are just too far from the gas network to be able to make individual connections fully funded. By having a reasonable proportion, for example, a third deemed eligible the other properties could be deemed eligible by in-fill and if the uptake was sufficient it could make a project viable when previously it was not. It could also protect the infill properties from falling into fuel poverty as the household situation changes, due to retirement or additional children.

Going forward the unhealthy alliance between fuel poverty funding and carbon reduction needs to be addressed. Although the methods to address both issues are often the same the consequences of determining the level of funding available to a fuel poor household based on carbon savings is highly detrimental. The households who need the most support can be the ones who are offered the least assistance. Those on the lowest incomes are often in smaller properties like mid-level flats or mid terraces with far smaller heat loss perimeters. This makes the carbon savings on the lifetime of a measure comparatively small and in turn the funding they attract is minimal. For installers the difficulty in doing many small jobs is less attractive than doing fewer larger projects. This makes it difficult for the low-income small sized single dwellings looking for assistance to find the level of support larger properties would attract. We therefore request that funding be related as much to the level of fuel poverty as to the carbon savings.

Sections 6-9 require the Scottish Government to report to Parliament every five years on: the measures taken to tackle fuel poverty over the previous five years; progress made towards the 2040 target; and the steps Scottish Ministers propose to take over the next five years to meet the 2040 target.

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

We support the overall approach but annual progress reports will be needed in the years between progress reports to Parliament to monitor progress.