LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

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

SUBMISSION FROM SSE ENERGY SERVICES

About SSE Energy Services

SSE is one of the largest energy suppliers operating in the competitive energy markets in Great Britain and Ireland. At 31 March 2018, it supplied electricity and gas to 7.58 million household and business accounts. It also provides other related products and services, including telephone, broadband and boiler care, to 0.45 million household customers. It is proud to employ nearly 20,000 employees, be a Living Wage Employer and the first FTSE 100 company to have been awarded the Fair Tax Mark.

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?

We welcome the Scottish Government’s proposal to introduce a new statutory target and believe it adds weight to the ambition set out in the Energy Efficient Scotland Strategy. We are fully supportive of effective measures to help reduce fuel poverty in Scotland and believe that legislating for a statutory target clearly demonstrates the Scottish Government’s commitment to addressing fuel poverty. However, we would encourage the Committee to consider the following three points as part of its inquiry.

Firstly, as previously set out in our response to the Energy Efficient Scotland Consultation, we feel the trajectory to 2040 is ambitious. The statutory target sets a twenty-two-year timeframe to meet the target and we do not believe there is an effective mechanism is place to ensure momentum towards this target being met. To mitigate against this, as set out in our response to the Fuel Poverty Strategy, we recommend that the Scottish Government ensures the target is supported by meaningful and regular milestones. The target and vision are well-intentioned but shorter-term policy objectives are required if it is to be delivered.

Secondly, we believe shorter term targets should be supported by an effective delivery roadmap. There is limited detail at present around how the Scottish Government intends to reduce fuel poverty to 5% of Scottish households by 2040 and further information is needed around how the target and strategy will interplay with the Energy Efficient Scotland Programme. We are aware that the Minister for Local Government and Housing, Kevin Stewart MSP, has pledged to develop this plan in partnership with the Fuel Poverty Advisory Panel and would welcome clarity around when and how this
important work will begin. Fuel poverty is complex and multi-faceted and, we agree with the sentiments of the Minister, that a shared endeavour between national and local government, businesses, the third sector, landlords, tenants and homeowners is necessary if the target is to be met in practice but believe the roadmap should, ideally, have been developed in tandem with the statutory target.

Thirdly, the Committee will be aware that the Scottish Government has lowered the target threshold from that initially contained within the consultation on the Draft Fuel Poverty Strategy that was published in Q1 2018. The initial consultation was on the basis of the proposed statutory target being 10% of households in Scotland living in fuel poverty by 2040, to the current proposed statutory target of 5%. Although we are supportive of the Scottish Government’s increased level of ambition given it is aligned with the Child Poverty Delivery Plan, we believe further analysis is required around the extent to which this more challenging target will impact the Scottish Government’s ability to meet the target.

2. 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?

We welcome the proposal to make the measurement of fuel poverty more accurate and focused on addressing those most at risk of being in fuel poverty. The proposal to set the definition of being in fuel poverty at 90% of the Minimum Income Standard (MIS) after energy, housing and childcare costs are deducted is likely to be more accurate than the current definition in capturing those who are fuel poor or on low incomes.

However, we would encourage the Committee to consider three points as part of its inquiry. Firstly, for the definition to be practical and not merely academic, those in fuel poverty must be easily able to self-identify so that energy suppliers, national and local government, charities, landlords, tenants and homeowners can easily deliver support, advice or funding. In its current form, we do not believe the proposed definition would be appropriate to determine eligibility for energy efficiency measures, for example. Instead, the Scottish Government should consider making full use of its powers under the Digital Economy Act to provide as much information as possible to assist the energy efficiency supply chain in reaching those targeted by the Bill.

Secondly, the Committee should be aware that the Minimum Income Standard (MIS) is a UK wide standard and not necessarily reflective of some of the unique challenges and costs faced by rural and island communities, which comprise a significant proportion of Scotland’s fuel poor population. To ensure that these communities can reap the social and economic benefits of the strategy, we would encourage the
Government to consider a bespoke measure that reflects the unique circumstances of these communities.

Thirdly, the Fuel Poverty Bill identifies vulnerability on the grounds of age and health, but the experience of our customer service teams suggests that there may be other vulnerabilities that are not addressed in the proposed definition, particularly around ‘trigger’ point such as when an individual reaches retirement age.

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? Please explain your reasons why.

Yes, we agree with the requirement for the Scottish Government to publish a Fuel Poverty Strategy. As set out in our response to question 1, it is imperative that the strategy contains both meaningful short-term milestones and a tangible delivery roadmap.

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 welcome the publication of a Fuel Poverty Strategy by the Scottish Government and believe it marks an important step forward in helping to address fuel poverty in Scotland. In particular, we welcome the proposed move to an ‘outcomes-based approach’, which we believe will be more meaningful than the historic approach of largely reporting on monies spent and numbers of measures installed, which did not necessarily demonstrate the impact initiatives had on individuals in fuel poverty.

However, we are concerned that the strategy itself seems to be predominantly focused on improving Scotland’s housing stock. The recent Scottish House Condition Survey indicated that fuel poverty rates have dropped for two consecutive years as a result of a decrease in fuel prices and, from our experience, we would agree that the drivers of fuel poverty are complex, multi-faceted and largely triggered by the following four variables:

i. **Income**: including low wage and difficulties in accessing benefits;

ii. **Energy efficiency**: including sub-optimal housing conditions, ‘hard to treat’ homes and inefficient appliances;

iii. **Price of energy**: and policy costs which, although have long-term benefits, are collected via bills rather than general taxation (FiTs, low carbon CfDs, capacity contracts, transmission and distribution costs, and other taxes and levies; and
iv. **Personal circumstances:** covering effective and efficient energy use, customers in vulnerable circumstances and the way in which customers allocate their financial resources.

Correspondingly, we believe any strategy to meaningfully address fuel poverty should aim to focus on all four of these drivers. SSE’s customer service teams deal with thousands of customers every week and, in our view, in a large number of cases, low income is one of the primary reasons why some customers require additional assistance. There are also a significant number of people, particularly amongst those living off the gas grid or in ‘hard to treat homes’ who have inefficient housing and appliances. These people may not necessarily qualify for benefits given it is often their energy bills which can temporarily pull them into fuel poverty due to its fluid nature. Similarly, efficient energy use in the home must be considered for fuel poverty to be tackled holistically.

If the Scottish Government intends to rely on a single mechanism to reduce fuel poverty, it is likely to take a lot longer to meet its new statutory target of 5%. In our view, the Fuel Poverty Strategy must address all four drivers if fuel poverty is to be tackled at its root.

Finally, it will be important for the Fuel Poverty Strategy to evolve to meet different challenges as they arise, particularly over such a long-time frame. The engagement of Local Authorities in the deployment of HEEPS ABS has been successful in leveraging supplier obligation funding and while the focus of the new ECO obligation is on fuel poverty, a continuation of the programmes in their current guise will not maximise the available funding.

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

Currently, as set out in the Fuel Poverty Bill, the final determination on whether the target has been met is in 2042 – 2 years after the deadline. Although we welcome the introduction of more regular reporting, we believe that reporting on a 5-yearly basis may be too infrequent to report on progress and it will still be 7 years between reports for the final determination. Regular reporting is essential for good governance, holding policymakers and wider stakeholders to account and making it more likely that ambitious targets will be met.

Instead, we would recommend that this is reduced so that the Scottish Government is required to report to the Scottish Parliament on a 3 – 4 yearly basis. This would ensure better governance around the delivery of the strategy while also ensuring that the strategy, delivery and funding priorities could be adjusted to ensure that fuel poverty in Scotland is reduced and the statutory 5% target is met.