

Citizens Advice proposals for the
**Department for Energy
and Climate Change (DECC)**

Using the Spending Review to make
life simpler and fairer for people

Introduction

Whether in our one-to-one advice work, or in the analysis of our client evidence at a national level, Citizens Advice consistently generates sound solutions to the problems that people encounter day in, day out.

Our policy proposals often come down to making life simpler and fairer for people who rely on public services, achieving more for less, and ensuring that help goes to those most in need of it. The Government's Spending Review presents a rare opportunity to achieve these outcomes on a broad scale.

In its draft Structural Reform Plan, DECC includes in its priorities the need 'to reduce energy use by households and businesses, and help protect the fuel poor.'

Informed by our unique understanding of the difficulties that people are facing, which coincide with DECC priorities, this submission sets out:

- the issues we think the Spending Review should focus on addressing
- our proposed policy solutions
- the ways in which the Citizens Advice service – with its extensive network of bureaux, high levels of public trust, and professional volunteer workforce – could support DECC to deliver those solutions.

In summary, our submission focuses on why and how DECC should and can:

- develop a new strategy for eradicating fuel poverty that is rooted in energy efficiency
- improve benefit take-up and help people manage their bills
- simplify social tariffs
- provide better support to those in debt.

Support for service delivery

We welcome the Spending Review's consideration of whether more government activities could be delivered by the voluntary sector – in order to simultaneously improve service levels and achieve savings. This submission sets out a series of practical and innovative ways in which we could potentially support government in the delivery of the solutions we propose. In short, Citizens Advice could:

- build awareness and understanding of the Green Deal
- enhance and simplify energy advice.

Why Citizens Advice

Citizens Advice Bureaux are local charities working with, and trusted by, some of the most vulnerable people in society. They:

- provide free, confidential and impartial advice from over 3,500 community locations
- give clients, and others like them, a voice by spotting failures in the system and responding with policy proposals.

Citizens Advice Bureaux are organised to deliver value for money. They:

- mobilise 21,500 volunteers, saving a market rate of £106 million and creating vibrant communities
- develop skills and encourage progression – 40 per cent of volunteers who leave go into paid employment or higher education
- boost local economies by helping people to avoid debt, manage it, and maximise their incomes
- reduce the strain on local authority, health and legal services.

Citizens Advice Bureaux deliver impressive results. During 2009/10 they:

- advised 2.1 million people on 7.1 million problems
- enabled 12.7 million queries to be researched independently on Adviceguide.org.uk
- improved the situation of 6.4 million people by influencing policy.

The problems

1 Fuel poverty continues to grow

The number of households in fuel poverty in England has continued to increase; 4.6 million in 2010 compared to 1.2 million in 2004. This is largely due to gas and electricity bills increasing by 125 per cent.¹ Those using heating oil or liquid propane gas (LPG) have experienced even bigger increases, with estimates from 2008 indicating that households off the gas network typically had annual energy bills in the region of £1,700, compared to £1,000 for those with gas mains connections.² These 4.6 million households are typically low income, poorly insulated and unable to afford the cost of energy to adequately heat and power their homes.

It is generally agreed that the long-term trend is for energy prices to increase further; price rises feature in each of Ofgem's four Project Discovery future energy scenarios. This means that a typical dual-fuel energy bill could increase from around £1,200 a year to between £1,300 and £1,800 a year by 2020.

2 Social tariff schemes vary and are complex

Social tariffs can help to cut energy bills for consumers but the schemes are currently developed and delivered by energy suppliers, who have only limited knowledge of the personal circumstances of their customers. It is therefore important that clear information and advice about social tariffs is made widely available. At present there are a number of issues which hinder the dissemination of simple information about social tariffs:

- Eligibility criteria for social tariffs differ from supplier to supplier so it is difficult for consumers to know which set of rules apply to which supplier.
- Social tariffs generally lack any objective rationale in terms of their eligibility criteria, and there is no need for them to focus on the neediest.
- Suppliers can close social tariffs to new entrants when funding is exhausted or when an arbitrary level of capacity reached.

1 *Eighth Annual Report - 2009*, Fuel Poverty Advisory Group, July 2010

2 *Energy prices, fuel poverty and Ofgem*, Business and Enterprise Select Committee, July 2008

3 Low income consumers pay dearly for carbon emissions reduction

Price rises are due in part to the costs of a growing range of essential carbon abatement programmes, which are funded through levies on fuel bills.

Current schemes (including the Carbon Emission Reduction Target, the Community Energy Savings Programme, the Renewable Obligation, the European Emissions Trading Scheme and the new Feed In Tariffs) combine to add around £70 a year to energy bills. Over the next few years extra charges are likely to be added to fund the Renewable Heat Incentive and Carbon Capture and Storage schemes, and to install smart meters. By 2020 the annual cost per household could be nearly £300.³

Funding climate change policies through energy bills is regressive, as the poor spend proportionately more of their income on fuel than affluent consumers.

4 People on low incomes lack the confidence to switch supplier and get the best deal

Since market liberalisation, the level of supplier switching (to get the best deal) among low income groups has failed to match overall levels of switching. Some groups, such as those over 65 years of age and those reliant on state benefits, continue to lag behind the rest of the population. In addition, customers on pre-payment meters, especially those on standard credit, show a lower incidence of switching.⁴

Current carbon
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³ DECC Presentation to FPAG on distributional impacts of climate change policies in the Low Carbon Transition Plan, February 2010

⁴ Customer Engagement with the Energy Market – Tracking Survey – Report prepared for Ofgem, Ipsos MORI, 25 March 2010

5 Fuel debt problems are rising

Recent industry figures depict a worsening situation in relation to fuel debt. Ofgem report that 'there was a 19 per cent increase in the number of electricity customers and an 18 per cent increase in the number of gas customers entering into new debt repayment arrangements in 2009 compared to 2008'. In addition, the average level of debt has continued to rise, with electricity debt at the end of 2009 amounting to £277 (£21 higher than at the end of 2008) and gas debt amounting to £287 (£78 higher than at the end of 2008).⁵

During 2009/10 Citizens Advice Bureaux in England and Wales dealt with almost 110,000 fuel debt problems, which represented an increase of 33 per cent on the previous year. Many of these people experienced affordability problems, and would therefore stand to benefit from the installation of energy efficiency measures. In the more immediate future, though, what they are urgently in need of is free and impartial debt advice. Yet funding for such advice is patchy and insecure. At present most free debt advice is provided through government funding streams but, with public finances under pressure, new sources of finance may need to be found if the most vulnerable people are not to lose out, and if a growth in micro providers of variable quality is to be prevented.

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⁵ DECC presentation to FPAG on distributional impacts of climate change policies in the Low Carbon Transition Plan, February 2010

6 Sources of information and advice on energy matters are not comprehensive

There is no single source of trusted information for consumers that covers all energy matters. Presently, a multitude of organisations offer information and advice which may not be unbiased, or may not be perceived by consumers to be impartial and independent. Much of the information available to people about energy usage and energy efficiency is also provided via the internet, which excludes many of those on the lowest incomes or in lower socio-economic groups.⁶

The impact is that too many consumers have very limited knowledge of the energy market. This is evidenced in research conducted into the Energy Best Deal programme, which offered consumers and frontline workers the opportunity to attend a presentation about how consumers can reduce energy costs by changing tariff or supplier. The research found that, prior to attending the sessions, 15 per cent of consumers did not know that they could change their energy supplier. Of those that knew this was possible, 32 per cent did not know how to go about it.

15 per cent of consumers did not know they could change supplier

6 *Consumer Experience 2009 Research Report*, Ofcom, December 2009

Our proposed policy solutions

1 Developing a new strategy for eradicating fuel poverty that is rooted in energy efficiency

A new strategy for eradicating fuel poverty should ensure that the poorest households get all the help they need to become more energy efficient. The Warm Front programme has been a vital source of frontline assistance for vulnerable households, with demand and need outstripping supply. Such a scheme should continue to be available.

Private rented accommodation is the worst maintained part of the UK's housing stock, and is home to large numbers of people living in fuel poverty. A legal minimum requirement should be set for the energy efficiency of private rented properties, to protect such people from high fuel bills and ill health. Landlords should be helped to reach this standard through targeted advice, increased tax incentives and access to upfront finance for the necessary improvements (as with the proposed Green Deal).

2 Improving benefit take-up and helping people manage their fuel bills

A key driver of fuel poverty is low income. Many people on lower incomes rely on welfare benefits yet – as a recent Government White Paper makes clear – the complexity of the current system makes it difficult for people to know what help they are entitled to.⁷

Citizens Advice supports efforts to make the benefits system simpler and more efficient, though such reform will inevitably take time. In the meantime, it is essential that efforts are made to ensure that an estimated £17.5 billion in means-tested benefits and tax credits, which currently goes unclaimed every year, reaches those who are entitled to it. Such efforts could make a sizeable impact on the levels of fuel poverty in the short term.

The Government should also ensure there is action to educate the public about the potential savings to be made by switching tariffs and providers.

⁷ *21st Century Welfare*, Department for Work and Pensions, July 2010

3 Simplifying social tariffs

Government should press ahead with the introduction of mandated social price support from April 2011. Setting minimum standards for social tariffs could correct some of the problems with the current framework and help to ensure that:

- Eligibility is based on objective factors, targeting those most in need.
- Social tariffs are open to all those who meet eligibility criteria, rather than only those fortunate enough to apply while the social tariff is 'open'.
- People most in need of assistance in paying for their fuel receive a consistent level of support, regardless of their supplier.
- Consumers and their advisers are provided with clear information about social tariffs.
- All suppliers pay a fair and proportionate share of the costs of social tariffs, rather than some shouldering an undue burden.

More broadly, it will be important that mandated social support is targeted at all groups who are susceptible to fuel poverty, and not confined to pensioners on the lowest incomes.

People on social tariffs should receive a consistent level of support, regardless of their supplier

4 Providing better support to those in debt

Rising numbers of people are entering into new fuel debt repayment arrangements, and on average they owe more than ever before. Energy suppliers must do all they can to help customers in debt. Citizens Advice has been working with Ofgem and fuel suppliers to make sure this is the case. We remain concerned that suppliers can fail to take account of a customer's ability to pay when calculating the rate at which a debt should be repaid. We also consider that fuel companies should limit additional charges that can be levied on debtors (e.g. for a debt reminder letter), which often serve only to exacerbate the situation.

Customers with fuel debts will often have a number of other debts, and there is a clear need to improve the sustainability of funding for good quality, independent and free debt advice. More of the cost could be funded through a levy on consumer credit lenders. The credit industry does provide some funding to the free debt advice sector, but it is woefully inadequate given the part consumer credit debt plays in the problems people face. This levy should supplement – rather than totally replace – government funding, since many of the debt problems faced by the most vulnerable consumers concern public sector debts.

Fuel companies should limit additional charges that can be levied on debtors

How the Citizens Advice service can support the delivery of these solutions

The Citizens Advice service is ideally placed to work with DECC to reduce bureaucracy and achieve more for less.

As an organisation, we are geared up to develop the most appropriate services, target them effectively and deliver them efficiently. In fact working to our 2014 strategic plan will see us:

- greatly improving access to advice by establishing and developing our national Adviceline telephone service
- equipping individuals with the knowledge and skills necessary to prevent problems occurring
- encouraging clients to adopt digital technology by offering use of the internet and accessing web-based public services on their behalf
- recruiting and training even more volunteers, promoting community involvement and helping people back into paid work.

In addition, we have a wealth of experience and expertise in dealing with energy issues.

- During 2009/10 we dealt with 110,000 fuel debt problems.
- In 2008 our Energy Best Deal presentations reached 33,000 people – either directly or via frontline workers – with information about the savings potential of switching tariff or provider.

Specifically, the Citizens Advice service could assist DECC to achieve its objectives, and substantial savings, in the ways outlined below.

1 Helping to deliver the Green Deal

Many of the details about the Green Deal are yet to be confirmed and Citizens Advice will participate fully in the development of policy in order to help ensure that it meets the Government's aim of delivering a step-change in the provision of energy efficient measures.

Citizens Advice also has the potential to play a significant role in the actual delivery of the Green Deal. We are in a unique position to assist government in:

- disseminating information about the Green Deal – online and in hard copy
- providing advice and reassurance to people about the choices that they might wish to make when participating in the scheme
- monitoring the provision of energy efficiency assessments and the quality of energy efficiency measures that are installed
- linking the measures available under the Green Deal to other help available to tackle energy affordability (for example by publicising social tariffs, undertaking benefit take-up work and promoting the benefits of switching supplier).

This service would ensure that the emerging Green Deal is fully understood by individuals and communities.

Advice would be delivered on both a one-to-one and a one-to-many basis. Building on its successful approach to helping people improve their financial capability, Citizens Advice would put in place a programme of work that would equip people to address energy issues before they became problems. In the past three years Citizens Advice has provided financial capability training to in excess of 130,000 frontline workers, each of whom pass on information, support, and learning to an average of 15 vulnerable clients.

Adviceline would serve as the first point of contact, with further advice being provided through the most appropriate channel. Citizens Advice online services would be enhanced either through the inward syndication of information or the creation of an appropriate portal.

2 **Enhancing and simplifying energy advice**

The energy advice service would provide information and advice in relation to tariffs and energy providers. It would be accessed primarily through Adviceline, but would also be available face-to-face and electronically. The service would be supplemented by web-based facilities including decision trees, self-help materials and template letters.

We want to ensure the
Green Deal is fully
understood by individuals
and communities

Contact us

To discuss the contents of this submission,
please contact Laura van der Hoeven on
laura.vanderhoeven@citizensadvice.org.uk
or **020 7833 7118**.

Citizens Advice

Myddelton House
115-123 Pentonville Road
London N1 9LZ

Volunteer hotline: 08451 264 264
Telephone: 020 7833 2181
Fax: 020 7833 4371

www.citizensadvice.org.uk
www.adviceguide.org.uk

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