

The Energy Bill

The Energy Bill, currently going through Parliament seeks to improve energy efficiency and to encourage low-carbon energy production. It also sets out how Britain's energy supplies will be made more secure. The Bill is in 4 Parts. Part 1 – *Energy Efficiency* – is of particular interest to Citizens Advice and other organizations campaigning for the eradication of fuel poverty.

Part 1 Chapter 1 of the Bill creates the legislative framework for the Green Deal, which will allow private companies to make energy efficiency measures available to every household – whether owned or rented - at no upfront cost, with the cost of this paid back from the saving on customers' energy bills. Chapter 2 commits the Government to a review of energy efficiency in the private rented sector in England and Wales and gives the Secretary of State the power to introduce a minimum energy efficiency standard for the sector, depending on the outcome of this review. Chapter 4 introduces an Energy Company Obligation (ECO) on companies to provide funding for energy efficiency measures on hard to treat homes where the cost of the measures will be higher than the expected resultant energy bill savings.

Key points:

- The Bill must ensure the Green Deal presents a fair deal for consumers by strengthening and adding to the consumer protections it already contains.
- In particular, it must make provision for redress; it must clarify how Green Deal payments will be collected from customers with pre-payment meters and those in arrears; and it must protect customers, especially vulnerable customers, from disconnection for non-payment of Green Deal charges.
- Though we welcome the Bill and its aims to improve the energy efficiency of people's homes we believe it is not an appropriate means of addressing fuel poverty. We are concerned that with the phasing out of Warm Front grants by 2014, there will be no taxpayer funded measures in England available to tackle fuel poverty. Additional measures are needed if the Government is to meet its statutory target to eradicate fuel poverty by 2016.
- Capital funding available through the Energy Company Obligation is a worryingly regressive means of funding energy efficiency measures. At the very least it must be effectively targeted at those at high risk of fuel poverty and we believe it must be supplemented by public money to fund energy efficiency improvements for vulnerable households.
- The Bill must set a deadline of no later than 2016 after which it will be an offence for a landlord to re-let or market for rent a property in England and Wales which is an EPC Band F or G, and a date before 2020 by which it will become an offence to let a property of EPC Band E or lower.
- We welcome the provisions in clause 72, which will compel energy suppliers to provide customers with information about the cheapest tariff available to them and how to switch to it on their energy bill.

About the Citizens Advice service

Citizens Advice is an independent charity and the national body for the 384 independent Citizens Advice Bureaux that provide free, independent and impartial advice from more than 3,500 locations in England and Wales. We support bureaux to provide information, advice and education services. Using our clients' experiences, we campaign for positive changes to the policies and practices that affect our clients' lives.

The CAB service has over 28,000 staff, including over 21,000 volunteers. In 2009/10 the CAB service helped 2.1 million people deal with around 7.1 million problems. This involved 5.7 million contacts with our clients. In parallel to this individual service from bureaux, our 'Advice Guide' web-site for the public received over 7 million visitors.

Last year Citizens Advice Bureaux dealt with over 110,000 fuel debt enquiries, 33 per cent more than in the previous year. The Government estimates that there are over 4.5 million people living in fuel poverty in the UK, up from 2 million 2004¹. The problem does not only affect pensioners - in 2009/10 over 90 per cent of our fuel debt clients were of working age, one in four were single parents.

Part 1 Chapter 1 – The Green Deal

Part 1 Chapter 1 of the Bill creates the legislative framework for the Green Deal, which will allow private companies to make energy efficiency measures available to every household – whether owned or rented – at no upfront cost, with the cost of this paid back from the saving on the customer's energy bills. The responsibility for repaying the Green Deal finance will fall to the energy bill payer, who will not necessarily be the individual consumer who initially arranged the Deal.

The Bill includes a variety of measures to regulate the Green Deal scheme. We welcome the consumer protections already contained in the Bill, which prevent any green deal provider from securing the loan against a person's property, calling in the loan in full or pursuing a customer who is no longer the bill payer for a property for Green Deal repayments.

However, we would like to see a number of additional protections for consumers if they have entered into, or 'inherited' a Green Deal. Citizens Advice is calling on parliamentarians to ensure the Green Deal presents a fair deal for consumers by strengthening the consumer protections it already contains and providing for a simple, fair process of redress, for consumers if things go wrong, accessible via one named organisation.

The golden rule

Clause 4 allows for the Secretary of State to pass secondary legislation, which will state that the cost of the energy efficiency measures being installed must not exceed the expected resultant savings on the customer's energy bills over a specified time scale. This is known as the 'golden rule'. The Bill must make explicit that the calculated cost of

¹ Energy Bill Green Deal Impact Assessment available from <http://www.decc.gov.uk/assets/decc/legislation/energybill/1002-energy-bill-2011-ia-green-deal.pdf>

the measures will include the entire cost to the consumer, including all interest and charges on the finance package.

Redress

The golden rule does not guarantee that the actual savings on a customer's energy bill will be lower than their Green Deal repayments. If savings are not guaranteed, it may be difficult to build trust in the system and take up of the Green Deal may be very low. Furthermore there is a risk that in some cases the actual savings may turn out immediately or in the longer term to be lower than anticipated, for example if the energy efficiency measures do not last as long as predicted or simply because the assessment is inaccurate. It is therefore imperative that assessments are as accurate as possible and that there is redress available for people who experience problems.

There must be a mechanism for consumers to seek an independent review of the Green Deal package they have received and the burden of proof in cases of dispute must rest with the Green Deal provider, not the customer. Chapter 1 should therefore provide for a simple and fair process of consumer complaints and redress. With so many organisations potentially involved, it is important to prevent consumers from being passed from company to company when trying to resolve a problem.

In order to reflect the objectives of this legislation, the Bill should include consumer protections which allow the terms of the repayment plan to be re-negotiated in certain circumstances, for example if the actual savings achieved are lower than the expected savings predicted by the assessment; if the customer's circumstances change and they experience financial difficulty; or if a household with a different pattern of energy consumption moves in to a Green Deal property.

It is also essential that bill payers who inherit the Green Deal from a previous occupier must be able to benefit from the same complaints and redress processes as others consumers, and warranties and guarantees on materials or workmanship must be transferrable to new occupiers.

Vacant properties

We are concerned about how Green Deal repayments will be handled while a property is vacant, for example while the occupier is in hospital or when a rented property is not occupied. It is unclear whether Green Deal payments will continue to be charged even if the property is vacant and very little or no energy is being used. In this situation, there would be no supply element in the bill and therefore no savings would be being made. We suggest that finance arrangements must be worded such that repayments are due only when the property is occupied.

Disconnection

We believe firmly that clause 18, which would empower the Secretary of State to modify the energy supply license to allow an energy company to disconnect a customer for non-payment of Green Deal repayments should be removed.

At present, suppliers can only disconnect a household for failure to pay for the charges associated with the supply of energy and associated metering costs (e.g. standing charges). It is a long established and crucial debt advice principle that debts for which

one can lose one's home, liberty, or supply of essential goods and services, should be prioritised over other debts. Allowing disconnection for the non-payment of Green Deal repayments would subvert this principle simply as a result of the mechanism through which the loan is repaid. Some energy companies already provide goods and services in addition to the provision of energy supply, such as boiler repair services or insurance cover. Although there are some circumstances in which a customer may receive a joint bill for their energy supply and these services, the energy supplier cannot disconnect customers for failing to keep up payments for these services. This important consumer protection must not be reversed.

The Government is proposing that a consumer will receive one bill to cover their Green Deal charge alongside their energy consumption. Although it is important for customers to see the total amount they owe, it is imperative that the Green Deal charges are made transparent on the bill and are set out clearly and separately from the supply element of the total.

Consumers may face situations where they cannot afford to pay the Green Deal charge but could afford to pay for their ongoing energy consumption. Or they may wish to dispute elements of the Green Deal package, for example where measures are poorly installed or where they were not notified of the charges before moving in. Consumers have a right to withhold Green Deal repayments in the case of dispute. Consumers should not risk disconnection, or be subject to the threat of disconnection in these circumstances.

Although cases of actual disconnection are very rare,² CAB evidence indicates that customers, including vulnerable customers, may be threatened with disconnection for fuel supply arrears. This can cause serious distress and anxiety.

A CAB in Merseyside saw a young woman who was having trouble paying her gas and electricity bills. She was a lone parent of a one year old child and was reliant on Income Support. She had recently had cancer and had spent some time in hospital. During this period her meters had not been read and she had built up arrears. She told the bureau that she had phoned her supplier to tell them about her situation. The supplier's response to this had been to add a £14 late payment charge to her arrears and to threaten her with disconnection, for which she would be charged over £220. She was told that if this happened, the reconnection fee would be over £115. This woman was in tears when she came to the bureau. She was struggling to feed and clothe her child and the action of her supplier was causing her extreme distress and hardship.

Where customers are in financial difficulty, threats of disconnection can lead them to try to make repayments at an unaffordable and unsustainable rate. We would therefore be extremely worried to see any extension to the circumstances in which suppliers may disconnect their customers.

However, if suppliers are to be permitted to disconnect customers who fail to pay their Green Deal repayments, then existing safeguards must be strengthened. The Energy Retail Association (ERA), made up of the six largest energy suppliers, operates a self regulatory framework. Members of the ERA state that they will not knowingly disconnect vulnerable customers including older people; sick or disabled people and their carers; people dependent on medical equipment that is electrically operated; and people with

² Ofgem's most recent figures, for Q3 2010 show 685 debt related electricity disconnections and 305 for gas. See [External report Q3 2010, Ofgem, March 2011](#).

young children. However the energy supply licence conditions, with which all energy suppliers must comply, only prohibit suppliers from disconnecting households occupied solely by people of pensionable age (or people of pensionable age and children) during the winter months. They require suppliers to *avoid* disconnecting households which include anyone who is disabled, has a chronic illness or is of pensionable age in the winter. While these conditions were strengthened recently to ensure that suppliers take all reasonable steps to examine the circumstances of their customer prior to disconnection, if suppliers are to be permitted to disconnect households for failure to pay Green Deal charges, these mandatory protections must be strengthened further, for example by extending them to families with young children.

Pre-payment meters

Currently 8.8 million energy consumers in the UK rely on pre-payment meters³. We are concerned that these consumers appear to have been given very little consideration in the development of this Bill.

The Bill must clarify how Green Deal payments will be collected from people with pre-payment meters who are among those at the highest risk of fuel poverty. The Green Deal must improve the affordability of energy bills for these people, not make it worse. It is not clear to us how customers' meter credit will be allocated against Green Deal payments, any Green Deal payments arrears, fuel arrears payments and payments for ongoing energy supply. Nor is it clear how the money will be collected from customers who do not top up their meter for a long period of time, for example over the summer or during an extended hospital stay. Citizens Advice Bureaux already see evidence of clients with fuel payment arrears who find it impossible to heat their homes on their income, because the money they put in to their meter is allocated to existing debt and standing charges before energy is released.

A CAB in the East of England saw a client with learning difficulties who was suffering from depression. His energy company installed a pre-payment gas meter in his home after he fell in to arrears. He came to the bureau because when he made his first payment of £10 seven weeks after the meter was installed, the meter took £7 leaving him only £3 for usage. His energy company explained that the meter was programmed to take £15 per week against arrears. In addition a standing charge of 14p a day had been accruing since the meter was installed. The meter was programmed to take up to 70 per cent of any credit paid in to set against standing charges and/or arrears.

The danger is that people in these circumstances will under-heat their homes and in some cases will avoid topping up at all because the direct benefit they receive in power is so small. It is important that households using the Green Deal are assured that they will be able to top up their meters to a level which enables them to meet their basic energy needs.

³ Cutting back, cutting down, cutting off: Self-disconnection among prepayment meter users by Hannah Mummery, Holly Reilly Consumer Focus July 2010

Chapter 2 - A minimum energy efficiency standard for the Private Rented Sector in England and Wales

Chapter 2 of the Energy Bill commits the Government to carrying out a review of energy efficiency in the private rented sector in England and Wales and empowers the Secretary of State to set a minimum energy efficiency standard for the sector with a view to driving up energy efficiency standards. We welcome the policy intention behind this, but making the power to set a minimum standard dependent on the outcome of the review means that the standard can come in to force no earlier than April 2015 and it may never come in at all.

We therefore believe the Bill should set a deadline of no later than 2016 after which it will be an offence for a landlord to re-let or market for rent a property in England and Wales which is an EPC Band F or G, and a date before 2020 by which it will become an offence to let a property of EPC Band E or lower.

Twenty per cent of private rented sector households live in fuel poverty. This rises to 42 per cent of those households living in the worst insulated (F and G rated) properties. The annual cost to the NHS of winter related-diseases due to cold housing is £859m.⁴ Recent research by the Chartered Institute of Environmental Health found that caring for people made ill by living in rented homes with an EPC rating F or G costs the NHS over £145million a year⁵.

Without greater action by Government, poorly insulated and inefficiently heated private rented homes will continue to cost the UK dearly in terms of carbon emissions, poor health, fuel poverty and high energy bills.

We believe tenants should have access to up to date, high quality information about the energy performance of properties to help them make informed choices when seeking a property to rent. To this end the Bill should require the Energy Performance Certificate (EPC) rating of properties to be displayed in adverts and marketing materials, and to be shown to prospective tenants. And all landlords must be helped and incentivised to improve their properties through targeted energy efficiency advice, tax incentives and access to the Green Deal and/or ECO if their property is hard-to-treat.

With assistance from targeted energy efficiency advice and tax incentives some landlords may choose to improve their properties. However many more will not. The measures currently contained in the Energy Bill do not go far enough and may never come into force. Delaying a decision about whether to regulate to improve the least energy efficient properties will create uncertainty for landlords and lead to them delaying voluntary action, increasing the need for legal enforcement later on.

By legislating now to set a clear minimum energy efficiency standard from 2016 the Government will give long-term certainty and clarity to both landlords and tenants, and take firm action to tackle fuel poverty, high energy bills and climate change.

⁴ *On the state of public health*: Annual report of the Chief Medical Officer 2009 available at www.dh.gov.uk/cm0

⁵ CIEH *The health costs of cold dwellings* prepared for Andrew Griffiths Principal Policy Officer April 2011

In addition tenants should be protected from the threat of eviction if they make energy efficiency requests from their landlords.

Chapter 4 - The Energy Company Obligation (ECO)

Chapter 4 introduces a new obligation on companies to provide funding for energy efficiency measures, or measures which reduce the cost of heating a home adequately, but do not improve energy efficiency (such as boiler repairs), where the cost of the measures will be higher than the expected resultant energy bill savings (i.e. those that fail to meet the golden rule). This obligation will replace the existing energy company obligations – the Carbon Emissions Reduction Target (CERT) and the Community Energy Saving Programme (CESP). This new obligation is being referred to by the Government as the Energy Company Obligation (ECO).

Capital funding available through the Energy Company Obligation is a worryingly regressive means of funding energy efficiency measures. Citizens Advice is concerned that there is now a range of evidence that carbon reduction policies are leading to significant rises in customer energy bills. Such rises have the greatest impact on those with the lowest incomes (who are much more likely to be in fuel poverty).

Figures from Ofgem suggest that "environmental costs" make up 4 per cent of a typical gas bill and 10 per cent of typical electricity bill⁶. DECC estimates that domestic retail gas prices will be 18 per cent higher and retail electricity prices 33 per cent higher in 2020 due to energy and climate change policies (compared to prices in 2020 without policies)⁷.

We welcomed the announcement in the Budget last month that the Government is introducing a new framework to manage DECC's levy-funded spending, in order to cap the total impact of these policies on energy bills. However, at this time we do not know what the full cost to be met by households through their bills is likely to be. The cost of the ECO is not yet published and the details of which households will actually benefit from that scheme is still to be the subject of consultation expected later this year.

It is of great concern to Citizens Advice that the introduction of the ECO is accompanied by a significant reduction in funding for the Warm Front scheme and its planned discontinuation by 2014, leaving low income, fuel poor households with no taxpayer-funded scheme for improving the energy efficiency of their homes. The Citizens Advice service believes strongly that the Government should consider public investment in energy efficiency measures, which will make it more affordable for people on low incomes to heat their homes to an acceptable standard. To ensure that there is sufficient capital funding for energy efficiency improvements available to vulnerable households at risk of fuel poverty, the Government should allocate public money for this purpose, which if not to replace ECO, must at least supplement it to mitigate some of its regressive impact.

⁶Ofgem factsheet: *Updated Household energy bills explained* available at

<http://www.ofgem.gov.uk/Media/FactSheets/Documents1/updatedhouseholdbillsjan11.pdf>

⁷ DECC *Estimated impacts of energy and climate change policies on energy prices and bills*

<http://www.decc.gov.uk/assets/decc/what%20we%20do/uk%20energy%20supply/236-impacts-energy-climate-change-policies.pdf>

At the very least the ECO must be targeted to ensure that fuel poor people in very cold homes are not net contributors to the scheme and can access capital funding for energy efficiency improvements to lift them out of fuel poverty. A significant proportion of this funding must be targeted directly at those at highest risk of fuel poverty. It must not be available only to adults in later life. Recent independent research conducted by Professor Sir Michael Marmot concluded that reducing fuel poverty was key to reducing health inequalities for all age groups⁸. In 2009/10 over 90 per cent of Citizens Advice fuel debt clients were of working age, one in four were single parents. In addition, fuel poor households must be able to access such funding, whether or not they are also taking Green Deal finance.

This is particularly important because on its own, and in its current form, the Green Deal will not tackle fuel poverty. Take up will probably be low amongst households on low incomes, who are most at risk of fuel poverty because these households will be least attractive to Green Deal finance providers. Furthermore households already in financial difficulty may be averse to taking out a loan, especially if Green Deal providers do not guarantee that the loan repayments will be lower than the savings on their energy bill.

⁸ *Fair Society, Healthy Lives*, The Marmot Review, Strategic Review of Health Inequalities in England post 2010 February 2010

