



Response to the Call for Evidence on the development of an Energy Efficiency Strategy for Wales

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About Citizens Advice Cymru

Citizens Advice is an independent charity covering England and Wales operating as Citizens Advice Cymru in Wales with offices in Cardiff and Rhyl. There are 20 member Citizen Advice Bureaux in Wales, all of whom are members of Citizens Advice Cymru, delivering services from over 375 locations.

The twin aims of the Citizens Advice service are:

- to provide the advice people need for the problems they face
- to improve the policies and practices that affect people's lives.

The advice provided by the Citizens Advice service is free, independent, confidential and impartial, and available to everyone regardless of race, gender, disability, sexual orientation, religion, age or nationality.

The majority of Citizens Advice services staff are trained volunteers. All advice staff, whether paid or volunteer, are trained in advice giving skills and have regular updates on topic-specific training and access to topic-based specialist support.

Local Bureaux, under the terms of membership of Citizens Advice provide core advice based on a certificate of quality standards on welfare benefits/tax credits, debt, housing, financial products and services, consumer issues, employment, health, immigration and asylum, legal issues, and relationships and family matters.

The Citizens Advice Service now has responsibilities for consumer representation in Wales as a result of the UK Government's changes to the consumer landscape¹. From 1st April 2014 this includes statutory functions and responsibilities to represent post and energy consumers.

We are happy for our response to be made available to the public.

¹ On 1st April 2013 responsibility for consumer representation was transferred from Consumer Focus to the Citizens Advice Service (including Citizens Advice Cymru) following the UK Government's review of the consumer landscape.

Introduction

Citizens Advice Cymru is pleased to respond to the Welsh Government's call for evidence around a new Energy Efficiency Strategy for Wales. We agree it is right to look beyond the Welsh Government's current programmes aimed at the fuel poor, and to explore the role other organisations can play. Improving energy efficiency can hugely benefit business and able-to-pay domestic customers, as well as making a contribution to tackling climate change.

Citizens Advice Cymru research

We are currently undertaking research into low income² consumers' views on energy efficiency programmes. This will explore what motivates them to seek help, and what barriers they experience or perceive to receiving it. As part of this research, we will be speaking to households who have already received energy efficiency help, and ask whether they feel they still need help heating their home.

We will also contact organisations working directly with specific consumer groups with particular needs or from particular backgrounds to explore any additional barriers they face, and what tailored solutions they believe would help overcome those barriers.

This work will be completed in spring 2015, and we hope it will provide additional useful evidence to inform the new strategy.

Q1) – Potential impact.

Do you have any evidence or experience you would like to share on the potential impact in Wales of energy efficiency on saving money and on supporting jobs and green growth?

Citizens Advice Cymru recognises the financial benefit to individual domestic consumers of reducing their energy consumption. We deliver energy advice programmes such as the Energy Best Deal programme and Big Energy Saving Week which raise awareness of the savings available to consumers through energy efficiency. There is clearly potential for businesses and public sector organisations to make similar savings by understanding how they may be wasting energy through their behaviour, changing where they receive energy from (e.g. introducing micro-generation), and improving the energy efficiency of their built estate.

Consumer Focus' [*Jobs, Growth and Warmer Homes \(2012\)*](#) report was an assessment of the economic and environmental impacts of investing in energy efficiency in fuel poor households. It found that:

“Investment in the UK housing stock is one of the best investments possible in terms of boosting short-term employment and economic activity”

and that

² i.e. C2DE households

“Investing in energy efficiency measures in fuel poor households has a similar or more positive macro-economic impact than an equivalent stimulus package either through increases in government current spending (e.g. NHS, education) or government capital spending (e.g. roads, building hospitals), or reductions in VAT or fuel duty.

“(Spending on fuel poor households) causes an increase in economic output, but investment in energy efficiency has the added and persisting benefit of also reducing natural gas imports. If households spend less on energy imports, they are able to spend more on other products and services, which are in part supplied domestically. Energy security is also improved.”

The Energy Bill Revolution’s³ (EBR) more recent report, [Building the future \(2014\)](#), which builds on *Jobs, growth and warmer homes*, provides further evidence of the economic case for energy efficiency. Essentially, it found that a major energy efficiency programme funded by government has a net positive impact on GDP due to the extra revenue from taxes. It also included modelling which predicted thousands of potential new jobs for Wales⁴ as a result of such spending.

Importantly, however, the modelling for the EBR research was based on English Housing Survey (EHS) data. There is no equivalent to the EHS for Wales which provides a comparable level of detail on Welsh housing stock. So whilst the conclusions of the report are positive, it would be more difficult to produce an similar piece of modelling specifically for Wales. This presents challenges for the Welsh Government in targeting any energy efficiency investment, and ultimately in monitoring and reporting on the success of any new programmes.

Q2) – Vision.

Do you agree with the vision? If not, please explain your reasons.

Citizens Advice Cymru supports the Welsh Government’s overarching vision for the future of energy efficiency. We recognise that it is ambitious, which is right given the scale of the task, and that it will require support from energy companies, public and private sector organisations across Wales, and of course consumers themselves. Energy efficiency can reduce costs and stress to householders, prevent individuals suffering cold related illnesses which also impact on the NHS, and ultimately have macro-economic benefits to the country as a whole.

The energy market has been the topic of intense political debate in Wales and beyond, largely driven by regular increases in energy prices against a backdrop of difficult financial times for individual consumers. This in turn has

³ EBR is an alliance of children's and older people's charities, health and disability groups, environment groups, consumer groups, trade unions, businesses, politicians and public figures 'committed to ensuring warm homes and lower bills for all'.

⁴ Page 35

led to regular changes to policy, notably changes to the Energy Company Obligation (ECO) in late 2013, in an attempt to reduce 'green levies' on customers' bills.

Suppliers have argued that changes to energy efficiency policies during implementation make it difficult for industry to build a sustainable business around installations. Energy UK, the body representing the major energy suppliers, has argued⁵ that:

“The short duration of obligations and differences in scheme scope and design between them often leads to “stop-start” delivery, causing significant uncertainty and disruption. In order to meet long-term decarbonisation ambitions, we believe that DECC needs to work to develop a long-term policy framework for energy efficiency, providing policy certainty and a clear direction of travel to the market.”

The extent to which any impact on delivery is an unavoidable consequence of policy redesign is a matter for debate between DECC and the energy industry. However, the key point is that the costs of these schemes are ultimately met by consumers through their bills. It is therefore essential that they deliver value for money, and that we take seriously the concerns of those tasked with delivering them – whether they be energy companies or local contractors.

Whilst the Welsh Government's Nest and Arbed schemes have been more stable, relative to ECO, this message has obvious read across to any new proposals for Wales. A clear strategy from the Welsh Government will be an important step towards delivering the stable footing energy suppliers, and energy efficiency installers have called for. It will also benefit from cross party support, if possible, to ensure it is sustainable in the long term.

Minimum standards for energy efficiency have a clear role to play in driving action from individual consumers, organisations and businesses. Citizens Advice has called on the UK Government to introduce minimum standards of an EPC rating of C in all homes by 2025. Whilst we recognise that the Welsh Government does not have the legislative competence to introduce such a standard in Wales, it could nonetheless make delivering ambitious minimum standards across all tenures an objective of any new energy efficiency scheme.

Q3) – Barriers to householders and communities.

What do you think are the barriers to people recognising the benefits of energy efficiency and taking action? Do you have any suggestions for improving and extending household take up of energy efficiency? What are the current strengths and successes and how can they be developed further?

⁵ Energy UK response to the DECC consultation on The Future of the Energy Company Obligation (ECO) <http://www.energy-uk.org.uk/publication.html?task=file.download&id=2985>

Consumer Focus' [What's In It For Me?\(2012\)](#) report emphasised the need to use the benefits of energy efficiency to outweigh the barriers for consumers. It set out the following benefits and barriers commonly identified by consumers:

Benefits

- Saving money
- A warmer, more comfortable home
- The avoidance of waste
- Living a greener life

Barriers

- Lack of awareness and interest
- Upfront cost
- Inconvenience and disruption
- Complacency
- Lack of trust

There are a number of approaches to breaking down these barriers.

Communication

The report also explored how communication which consumers affected their engagement with energy efficiency schemes. A key finding was that attempting to promote schemes largely based on saving money on bills was problematic, given the long term and somewhat intangible nature of such savings. It found instead that highlighting other benefits such as warmer homes and avoiding waste were more persuasive to people as these benefits were more immediate.

Individually tailored messages, delivered locally, were also found to be more persuasive, for example where consumers had the opportunity to visit a home similar to their own which had been retrofitted. This helped make the potential improvements more tangible, as people could experience the benefits – like the home being warmer – first hand, and could also ask questions and address any potential concerns immediately.

There was also evidence in the report that combining the messages of 'cost, carbon and comfort' watered down the impact of marketing. There is a need to identify and focus on the messages that will be most effective for each consumer group; whether that be for households with different incomes or financial capability, people with particular needs or disabilities, or with different levels of understanding of the technology involved.

Regulation

Whilst the Welsh Government has no direct oversight in regulating energy supply or energy efficiency, it does have scope to promote and support UK government and Ofgem regulations through its own codes of practice. An example would be around quality standards in social housing and the private rented sector. Energy efficiency installations are themselves subject to quality assurance standards, some of which are set by Ofgem. Citizens Advice is

undertaking research into how these standards differ between schemes and whether there is best practice which could be adopted more consistently.

Regulations around minimum energy efficiency performance certificate (EPC) standards in the private rented sector (PRS) were included in the UK Energy Act (2011). Whilst we recognise the Welsh Government does not have the legislative competence to go further than the requirements of these regulations, we believe the introduction of licencing and registration for landlords under the Housing Act (Wales) 2014 presents an opportunity to promote energy efficiency in the PRS.

Consumer Focus Wales' [Their House, Your Home \(2012\)](#) found that some tenants' efforts to improve energy efficiency had been blocked by landlords, leaving them struggling with bills, wasting energy, or living in a cold, damp home.

Welsh Ministers may set requirements for training landlords must undergo, as part of this we believe landlords should be supported to understand their statutory obligations on minimum EPC ratings. We also believe they should be encouraged to recognise the benefits of energy efficiency for both themselves and their tenants.

Q4) – Barriers to businesses.

What do you think are the barriers to businesses recognising the benefits of energy efficiency and taking action? Do you have any suggestions for improving and extending business take up of energy efficiency? What are the current strengths and successes and how can they be developed further?

In a Wales-wide supply chain which involves local business in the implementation of domestic and non-domestic energy efficiency installations, there will be numerous opportunities for SME's to see the benefits first-hand. A company which reduces waste in its energy use can pass on savings to its customers and become more competitive.

It is important to note that the supply market for non-domestic customers looks significantly different to domestic. Consumer Focus' [Under the Microscope \(2012\)](#) report found that a majority of SME's don't have a gas supply, and levels of gas consumption by SME's has decreased continually over the past decade⁶. Therefore any new energy efficiency offer for businesses must be one which electricity-only micro-business customers can take advantage of.

Another Consumer Focus report, [A Smart Business \(2013\)](#), explored SME's views of demand reduction in respect of smart meter rollout. It found that accurate billing was the greatest motivator for SME's who had requested a smart meter from their supplier. SME's also cited reduced admin costs from supplying meter readings, and potential savings from better understanding

⁶ <http://www.consumerfocus.org.uk/files/2012/09/Under-the-microscope.pdf> (page 19 para 4.2, UK figures)

their energy usage. No SME's mentioned environmental concerns as a reason for wanting to reduce usage⁷. This suggests that in promoting energy efficiency to business, it will be the potential financial and time savings that are likely to be a key motivator.

Q5) – Barriers to the public sector.

No comments.

Q6) – Supply Chain.

What are the strengths and weaknesses of the supply chain and how can we build on the strengths and tackle the weaknesses?

As we are not directly involved in the delivery of energy efficiency measures, we do not have first-hand evidence relating to the supply chain in Wales. If the aspiration to create a stable supply chain can be achieved this should go some way to meeting the industry's concerns noted above, also potentially facilitating the delivery of UK wider energy efficiency programmes – with future consumers in Wales reaping the benefits.

Consumer Focus' [*Jobs, Growth and Warmer Homes \(2012\)*](#) report did find that 'there is a direct and immediate stimulus effect to the construction sector and its associated supply chains (..) through increased demand for inputs such as metals and minerals' from energy efficiency investment. This suggests there could be reciprocal benefits to looking directly at improving the energy efficiency supply chain in Wales.

Citizens Advice are currently undertaking additional, GB-wide, research into local delivery of energy efficiency and fuel poverty schemes which may be useful in informing this aspect of the strategy. We will share this with the Welsh Government in due course.

Q7) – Skills and Education.

No comment.

Q8) – Innovation. What are the opportunities for innovation to help remove the barriers to improving our energy efficiency in Wales?

To tackle climate change, and mitigate fuel poverty we need to urgently pursue those energy efficiency measures that are already proven to be effective, whilst also enabling innovation. This difference is important in terms of how energy efficiency measures are funded, in that we would want funds from ECO, Nest, Arbed and any successor schemes to go on proven measures.

⁷ <http://www.consumerfutures.org.uk/files/2013/08/A-smart-business.pdf>

We identify two elements of innovation in energy efficiency which will have different economic rationales, and require different reporting frameworks. We believe these two strands should be considered separately.

Technological innovation

The technology largely already exists that can significantly reduce energy use in homes whilst maintaining and even improving comfort levels. There are improvements to be made to these, but these tend to be incremental rather than entirely new technologies.

The only potentially significant gap is storage. We would welcome more consideration as to how storage of power and/or heat could form part of the strategy. This would include technology like electric vehicles, storage heaters and immersion heaters.

For example, the UK Energy Research Centre, in its report [The Future role of energy storage in the UK \(2014\)](#), found that there was potential for savings by generating heat off-peak, and saving 'waste' heat for later use. The report explored the most appropriate means of storing heat in a 'real life' setting, but concluded that there was scope for more research. The Welsh Government could explore ways to support future research being undertaken in Wales.

The success of heat storage technologies requires an appropriate 'Time of Use' (ToU) tariff structure that incentivises consumers to think about when they use their power. This needs to be complemented by information and advice, such as real time data on usage provided by smart meter in-home displays (IHDs), dedicated advice on behaviour change, and consumer advice on choosing suppliers and tariffs.

Citizens Advice has also commissioned research into consumers' experiences of solar PV generation after it has been installed in their home. This will explore how behaviour changes, and whether consumers are able to save money, and reduce carbon emissions, by generating heat at cheaper times (on a Time of Use (ToU) tariff), and storing it.

Innovation in delivery

Innovation may not be in a product itself, but in its application. What is arguably more significant than technological progress is innovation in delivery, to give consumers the confidence they often currently lack. We would refer again to the [What's In It For Me? \(2012\)](#) report – and the need for multiple referral paths to suit the needs of different households. It also finds that there is no low cost, single channel for effectively engaging all consumers.

Again we would hope that our forthcoming Wales-specific research with low income consumers will provide additional insight into this work.

There is also potential for innovation in joining up key programmes such as smart meter rollout, ECO, Nest and Arbed. Citizens Advice's recent [Developing a Smart Meter Extra Help Scheme \(2014\)](#) report found that the cost of a supplier-led smart meter rollout will be £3billion higher than that

estimated for a co-ordinated area-based approach, with this cost being funded by consumers through bills. So there is clear potential for innovation and cost savings by embedding installation of smart meters in area-based energy efficiency and housing stock improvement schemes, as well as providing consumers with a valuable tool to make the most of their energy efficiency measures.

Q9) – Finance.

Are there any particular gaps in financing to support the take up of energy efficiency? Which financing models work best to address the energy efficiency needs in Wales for different target audiences?

When considering an energy efficiency strategy which looks beyond fuel poor customers, it is useful to note that the [What's In It For Me? \(2012\)](#) research found that 'free' schemes can be off-putting for some able-to-pay consumers – as it implies there will be eligibility criteria, or that the measures on offer are low value or poor quality. Additionally, some consumers, who are prepared to pay for measures, will place a higher priority on ensuring affordability of monthly repayments than on the long term benefits. Affordable credit for able-to-pay households was explored in Citizens Advice's report [Raising Standards, Cutting Bills \(2014\)](#). Whilst the report made recommendations specifically regarding the UK Government's Green Deal finance programme, it does contain useful modelling and cost/benefit analysis of various options for government backed energy efficiency loans.

The main barrier to low income households who stand to benefit most from energy efficiency measures is, of course, income. It therefore remains essential to maximise and prioritise the ongoing provision of measures to these households through free schemes like Nest and Arbed.

It is also important that effective referral mechanisms are put in place to sit alongside area programmes to make sure fuel poor households outside priority areas get help. The Welsh Government has introduced a new Resource Efficient Wales telephone advice line which aims to provide a single point of contact for consumers on energy efficiency amongst other things. It will be important to monitor whether any specific consumer groups are under-represented in the user base for this service.

Area approaches benefit the able to pay as well as the fuel poor. In fact they rely on helping both groups of households. Area programmes can sometimes mistakenly be seen as only appropriate for fuel poor households (although it is important low income areas are prioritised when area programmes are rolled out).

Q10) – General.

We have asked a number of specific questions. If you have any related issues that we have not specifically addressed, please use this space to report them:

In our evidence to the National Assembly for Wales (NAfW) Environment and Sustainability Committee's investigation into fuel poverty energy efficiency schemes in Wales, we stated that:

“We have concerns about the ongoing use of 2008 *Living in Wales* data as the baseline for fuel poverty projections in Wales. Using data from six years ago risks giving an increasingly out of date picture, and limits the Welsh Government's ability to respond to any emerging trends.

“England and Scotland base their fuel poverty projections on the English Housing Survey and Scottish House Condition Survey respectively. Both surveys are run on a continual basis, taking two years to compile and report data from each. Whilst this doesn't offer an up to the minute picture, it does allow robust reporting of fuel poverty and other housing trends as detailed assessments are undertaken within each home.

“Effective targeting requires robust and recent data from households in Wales, and a household survey would be the most preferable way to achieve this.”

We believe that this will need to be addressed in the design any new strategy on energy efficiency. In order to effectively target, the Welsh Government will need an accurate picture of where energy inefficient homes in Wales are to be found.

To ensure effective monitoring of the objectives of any new strategy, and to allow constructive external scrutiny, there will need to be ongoing recording of data on energy performance across Wales, including energy performance ratings for domestic and business properties and the public estate. Setting a credible baseline from which to measure progress at the inception of the strategy will also be essential.

We would be happy to work closely with the Welsh Government, drawing on our previous work and the experience of our partner organisations, to establish a set of key objectives and related indicators for the new strategy.

Contact

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