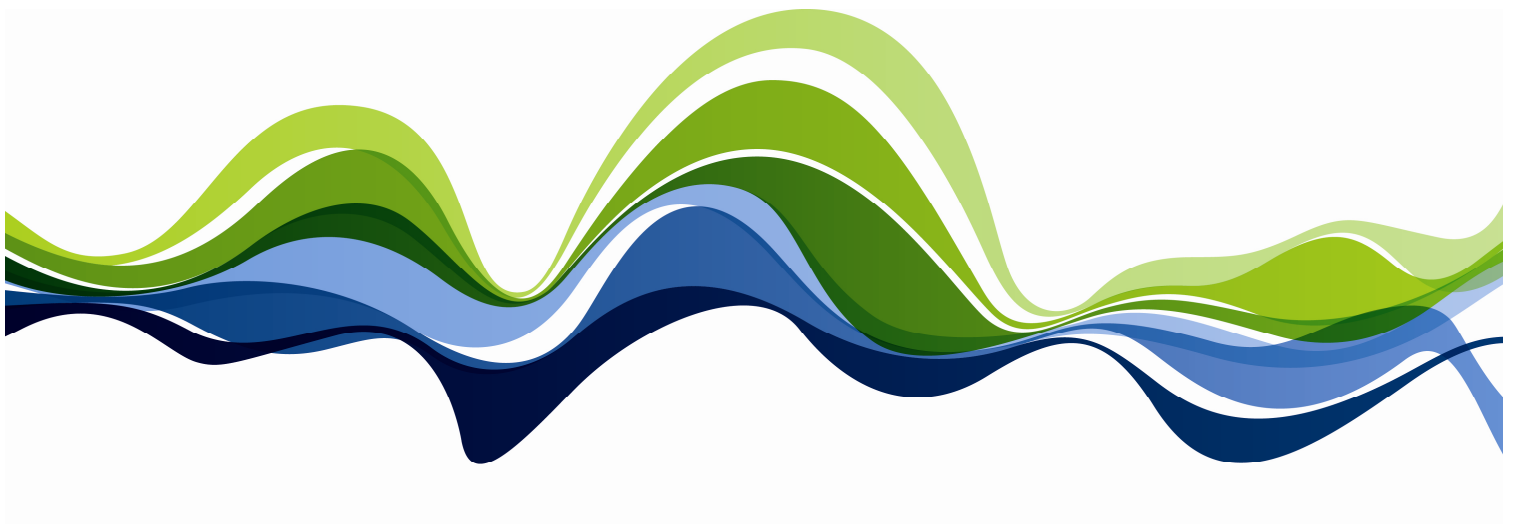


National Assembly for Wales  
Environment and Sustainability Committee  
EEFP 12  
Inquiry into Energy Efficiency and Fuel Poverty  
Response from: SSE

# SSE response to the NAW Environment and Sustainability Committee inquiry into Energy Efficiency and Fuel Poverty in Wales



## SSE response to the Assembly Environment and Sustainability Committee inquiry into Energy Efficiency and Fuel Poverty in Wales

### Summary

1. As a responsible company SSE undertakes an extensive range of activities to assist our vulnerable customers, including over £9m of financial assistance provided in Wales in 2013/4.
2. SSE has installed and delivered over 79,000 energy efficiency measures to homes across Wales in the last five years, and looks forward to engaging with Welsh Government and other key stakeholders to ensure the successful delivery of future projects.
3. SSE believes that whilst improving the energy efficiency of the UK's housing stock is most suitable way of addressing fuel poverty, policies should be funded through taxation rather than via levies on customers' energy bills; this would ease the financial burden on those on the lowest incomes.

### SSE Overview

4. SSE's core purpose is to provide the energy people need in a reliable and sustainable way. The company employs around 20,000 people across the UK and Ireland, including 350 apprentices and technical trainees. In 2013 SSE became the largest company in the FTSE to be an accredited Living Wage employer. The company's tax contribution in the UK totals over £300 million per year, and SSE invests around £4 million per day in the UK's energy infrastructure.
5. SSE's retail brands supply energy to over nine million homes and businesses, making it the second largest supplier of electricity and gas in the Great Britain market. SSE recently announced a household energy price freeze until at least 2016 - the longest unconditional energy price commitment ever made.
6. SSE's customer service provision is consistently rated as the best in the industry, as demonstrated by maintaining number one position in an industry customer service performance report, receiving the lowest rate of complaints of the major energy suppliers<sup>3</sup>. Other SSE businesses include networks and generation- we are the largest generator of electricity from renewable sources, including hydro and wind.

### SSE in Wales

7. SSE employs over 1,500 staff across Wales, where the company is best known for the energy retail brand SWALEC. SWALEC serves over 1 million energy retail customers, as well as sponsoring the Welsh Rugby Union, SWALEC stadium, and grassroots cricket. In addition to offering free Welsh language energy bills, we recently launched a freephone Welsh customer service line, meaning our customers are able to communicate with us in Welsh. SSE also operates numerous projects and businesses across Wales, including electricity generation, street lighting, metering, home services, and contracting.

### Helping Vulnerable Customers

8. SSE's Customer Service Centre of Excellence is based in Cardiff, employing over 900 staff who handle calls from all of SSE's retail energy customers. Their work includes advising with pre-payment meter queries, providing energy efficiency advice to help customers reduce their energy use, and assisting people that may be experiencing difficulty in paying their energy bills by providing bespoke payment arrangements or by signposting to other organisations for help with more specific issues.
9. In addition to freezing household energy prices until at least January 2016, SSE undertakes an extensive range of activities to help vulnerable customers manage the impact of energy prices. During 2013/14, SSE spent over £50m providing assistance to over 330,000 vulnerable customers through the Warm Home Discount (WHD) scheme. This scheme enables pensioners and vulnerable customers to receive help with their fuel bills through the direct provision of £135 to help with the cost of energy over the winter.

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<sup>3</sup> Citizens Advice and Citizens Advice Scotland (May 2014)

<sup>6</sup> <http://wales.gov.uk/newsroom/environmentandcountryside/2013/131011fuelpoverty/?lang=en>

10. Customers in Wales benefitted from a large proportion of SSE's financial assistance in 2013/14, totalling over £9.4m of funding, compared with £7.6m in Scotland and £37.0m in England. The figure includes the Warm Home Discount Core and Broader groups, as well as the Priority Assistance Fund and Winter Rebate Schemes.
11. SSE also operates a free Careline priority service, dedicated to helping customers who are elderly, disabled, or have special medical needs. Tailored and flexible payment arrangements are provided to pay for the electricity and gas that they use. Between the start of December and the end of February (or longer if the weather is unseasonably cold outside of this period), SSE commits to a no-disconnection policy covering all customers.
12. Affordability remains a key challenge in the energy industry, and so SSE works with customers to manage energy-related debt. SSE engages with customers with arrears as early as possible, securing payment arrangements that have lower balances at their inception and helping to spread the cost of energy across the year. Through its partnership with Social Enterprise Direct (part of Citizens Advice) SSE helped 210 customers increase their household income, with an average increase of £3,765 per annum (£72 per week).

## ECO

13. The Energy Companies Obligation was introduced in January 2013 and is a government-mandated energy efficiency programme that requires the largest energy companies to deliver household energy efficiency improvements. SSE is fully supportive of the aims of ECO and as of April 2014 has installed measures to help householders reduce their energy bills and carbon footprint in around 87,000 homes.
14. SSE believes that the reform and extension of ECO by the UK Government in December 2013 was in the best interests of our customers, as the scheme will be delivered in a more cost-effective manner, which has enabled SSE to pass on the full £38 saving to customers. Nevertheless, SSE remains concerned about the impact of ECO for three primary reasons. Firstly, the scheme is volatile and subject to significant political interference. Second, the exclusion of smaller suppliers from the obligation may also have adverse impacts on competition within the market. Finally, the cost of funding ECO and other government policy costs through customers' energy bills is regressive.
15. Once the current phase of the ECO comes to an end in 2017, SSE believes that significant infrastructure projects such as insulating the UK's housing stock should be government-led, funded through general taxation, and have far greater local authority involvement. In the meantime, SSE welcomes efforts to enhance the level of transparency in how the costs of delivering ECO are reported, as long as its ability to deliver the programme in the most cost-effective manner is not compromised.

## Policy

16. SSE believes that energy efficiency policies must be practical to deliver and cost-effective, which means that policy-makers may wish to reconsider whether market-based mechanisms are the most appropriate to meet the stated objectives, and whether dissimilar policy goals (e.g. carbon reduction and fuel poverty alleviation) may not necessarily be achieved by a single policy. More immediately, consideration should be directed towards making existing programmes practical and less onerous to comply with.
17. Policy makers should also generally aim towards achieving cross-departmental coordination to ensure that new homes are energy efficient and older properties are brought up to an acceptable standard. SSE notes the Welsh Government's holistic approach to tackling poverty, of which fuel poverty policy is a component part. Whilst this approach is beneficial, SSE nevertheless would welcome the opportunity to engage with Welsh Government and other key stakeholders on a regular basis with a specific focus on fuel poverty, which has a distinct set of characteristics.
18. The main objectives of energy efficiency programmes (e.g. emissions reductions or support for vulnerable customers) may not necessarily be delivered through a single policy. If this was re-examined then measures might be better-targeted and more appropriately funded. SSE believes that schemes should ideally prioritise those living in fuel poverty rather than those living in inefficient properties, although in practice the use of proxies such as benefits data to identify the fuel poor results in a very low hit-rate. The use of proxies results in large amounts of funding and resources being directed towards identifying and helping people who are in

many cases not in fuel poverty. SSE believes that energy efficiency policy needs to strike a balance between finding the fuel poor and delivering actual energy efficiency measures to poorly-insulated homes.

### **Green Deal**

19. SSE fully supports the Green Deal and will soon launch its phased roll-out across the country. SSE believes that blending ECO with Green Deal Finance would reduce the cost of ECO delivery and ultimately save customers money. To enable this, we will continue encourage the UK Government to reform the requirements of the Golden Rule to reduce the upfront customer contribution so that Green Deal finance and ECO is a genuinely attractive customer offer.

### **Energy Efficiency in Wales**

20. SSE has a strong track record of delivering energy efficiency programmes in Wales. Under the Community Energy Saving Programme (CESP) SSE provided approximately £15m of financial contribution and saved a total of over 500,000 tonnes of CO<sub>2</sub>. So far under the Energy Companies Obligation (ECO), SSE has worked with local contractors, Registered Social Landlords, and Local Authorities to deliver over 5,800 measures across Wales, including Cavity Wall Insulation, Solid Wall Insulation, replacement boilers, heating control measures, and loft insulation. This has helped some of the most deprived areas in Wales to reduce their energy bills and carbon footprint, with numerous SSE projects still in development across the country.

21. One notable project has seen SSE work in partnership with Merthyr Valley Homes Housing Association to install EWI to 87 properties in Merthyr Tydfil. The semi-detached and terraced houses are around 65 years old and have deteriorated over the years, suffered corrosion, and are poorly insulated. Around 68 properties in phase 1 of the project have already been completed and work has commenced on the remaining 19 properties in phase 2. SSE provided top-up funding to Merthyr Valley Homes of around £200K towards the EWI, which could reduce fuel bills by over £200 per year and save just short of 25 tonnes of CO<sub>2</sub> over the lifetime of the insulation.

22. SSE notes the Welsh Government's aim to maximise ECO delivery in Wales, noting that the absence of regional targets within the scheme means that Wales has the potential to benefit from a disproportionately high spend if suppliers perceive Wales as being the 'path of least resistance' for discharging a costly and complex obligation. In this regard, SSE views the Scottish Government's HEEPS model as a useful template for an energy efficiency scheme that fosters an attractive environment in which suppliers can discharge their ECO obligation whilst supporting local employment opportunities. Under HEEPS local authorities identify the areas and measures of priority in addressing fuel poverty. LAs are well-placed to know the condition and needs of the housing stock, and this local knowledge makes it an attractive scheme from a supplier perspective, who should be able to deliver measures at lower costs due to the economies of scale, as well as cheaper carbon.

23. In Wales the Arbed scheme can sometimes hinder the delivery of ECO due to an overlap of potential properties. One of the primary reasons for this is the key role played by Local Authorities, whose procurement teams have been identified as both barriers and enablers to the delivery of ECO, with the procurement process often favouring Arbed schemes over resident or supplier-led ECO projects. The Welsh Government's recently-announced additional funding to address fuel poverty<sup>6</sup> might serve as a vehicle to maximise the potential for suppliers to discharge their obligation, as the funding is primarily disseminated through Local Authorities. As one of the few companies able to offer ECO funding SSE would welcome any input from Welsh Government to authorities to help ensure that our obligation is delivered in Wales.

### **Conclusion**

24. SSE would welcome the opportunity to engage further with the Welsh Government and other key stakeholders on a regular and structured basis, for example through a quarterly roundtable meeting.

25. SSE will continue to work with key stakeholders to deliver successful projects in Wales, and views the HEEPS model in Scotland as a useful template for energy efficiency schemes which intend to attract ECO investment.