

Executive Summary

- SSE undertakes significant activity to assist its vulnerable customers including our flagship social tariff, energyplus Care which offers the deepest discount (currently 30% off standard prices) to vulnerable customers available in the UK.
- Supportive of ambition to go back to first principles regarding finding a workable and effective long term solution on fuel poverty. Any solution must resolve the key problem: finding the vulnerable and assisting them in a tailored way which suits their individual needs
- Governments must take leadership in taking ownership of the societal problem of poverty, while energy companies have the expertise to assist in helping people with the efficient use of fuel
- Funding of fuel poverty and energy efficiency solutions should be as fair as possible. Using taxation is means-tested and fairer, but if it has to be through regressive energy bill obligations then these should be based on usage and should also cover gas customers.
- An expert institution is needed to combine Government data to assist in the targeting and dissemination of bespoke fuel poverty assistance to the vulnerable. This could be an Agency, or an expansion of the Big Society approach by building upon a voluntary organisation. It would be a one stop shop for fuel poverty, assisting with targeting energy efficiency solutions to the vulnerable and helping with benefits checks and other initiatives.
- There may be value in exploring a new fuel poverty indicator to get a more targeted and appropriate assessment of those in fuel poverty.

SSE and current assistance

SSE is one of the two UK based major utilities involved in the generation and supply of energy. As well as being the UK's largest generator of renewable energy, SSE is now the second biggest retail supplier of electricity and gas, having been the fifth largest in 2005. Through multiple award winning customer service and competitive pricing, SSE, through its regional supply brands (Scottish Hydro Electric, Southern Electric, Swalec and Atlantic) has experienced and benefited from a competitive energy market.

SSE currently undertakes a vast quantity of activity designed to help our vulnerable customers. Our flagship social tariff, energyplus Care offers the deepest discount (currently 30% off standard prices) to vulnerable customers available in the UK. We currently offer this to customers spending 20% or more of their income on their energy bills. We also offer those spending between 15 and 19% a £100 rebate, and those spending between 10 and 14% a £50 rebate. Outside of these core discounts, we also offer a trust fund, SSE Sustainable, and provide tailor-made payment arrangements, discounted appliances, benefits-entitlement checks and debt-write-offs on a case by case basis taking account of energy bill affordability. We also participate in a range of energy efficiency programmes, estimating that to date we have assisted 735,000 households with cavity wall insulation and loft insulation.

The gas distribution network business (Scotia Gas Networks) also offers free or low-price gas connections which can remove people from fuel poverty by helping customers switch to gas heating.

Further information is outlined in more detail in Annex A as we feel some of our work may assist the Review Team

Back to first principles

The call for evidence is focussed on returning back to first principles. SSE very much welcomes this approach as fuel poverty is such a complex area, or at least because policies to date have led to it becoming such a complex area.

Drivers of fuel poverty

In returning to first principles, it is important to look at what the key drivers for fuel poverty are. SSE believes the key drivers are as follows:

- Income (covering wage, access to benefits)
- Price of energy
- Energy efficiency (covering property and appliances)
- Personal choices (covering energy use, use of money)

Correspondingly, any solution to fuel poverty which does not focus on **all** four of these areas will be suboptimal.

Fuel poverty as distinct from poverty

It is also crucially important to work out whether fuel poverty is a distinct entity on its own, i.e. whether it is noticeably different from other components of poverty. SSE's customer service teams deal with thousands of customers every week so we believe that we are particularly well placed to provide an informed view.

In their opinion, in a large number of cases, income is the key driver behind those who speak to us in need of assistance, but this is not exclusively the case. There are significant numbers of people, particularly amongst the 3.5-4.5 million people living off the gas grid and the 5 to 6 million people living in "hard to treat homes", who simply have inefficient housing and appliances. These people may not be "poor enough" to qualify for benefits, with it being just their fuel bills which are pulling them into poverty. In addition, we also regularly come across those in temporary fuel poverty due to a loss of job or family illness or disability (1 in 20 children, 1 in 7 working age adults and 1 in 2 over pension age are disabled) which is momentarily causing them to need assistance.

There is another particular characteristic about fuel poverty, primarily its impact on health, which we believe has a distinct quality. For example, if people are under-heating their homes there can be severe impacts, such as respiratory illnesses which can result in winter-related deaths. This fact means that there is a particular danger associated with fuel poverty that differentiates it from other aspects of poverty in general.

Flaws with current Approach

The greatest flaw about the current policy approach to date is that although a target was set up, Governments have failed to actually find a mechanism for finding people within the fuel poverty definition. This meant that, while Governments focussed on measures designed to tackle the four causes of fuel poverty outlined above, no one body has ever co-ordinated a holistic response to find and treat fuel poverty.

Obligations but limited tools to find

In fact, historically, a growing number of obligations have been put on to suppliers, including the provision of energy efficiency measures and the provision of fuel poverty spend, however, up until only very recently were suppliers actually given any tools with which to find those potentially in fuel poverty. Given that energy companies (rightly) do not hold much information on their customers beyond their name, address (which don't necessarily correlate with those actually living in the household who may need assistance) and payment records, this has made the job of finding the fuel poor a non exact science carried out by energy companies (see annexe for how we have proactively tackled the issue).

By leaving it to the energy companies to solve the problem, energy companies have taken a pragmatic approach to helping their customers. One of the biggest peculiarities is that energy companies now actually undertake benefits checks on behalf of our customers, because we feel it is one of the best ways to assist them, despite this clearly being a core state function.

In the last couple of years there has been some slight movement in this area, with the Government's Warm Home Discount Scheme (and the preceding trial) resulting in suppliers being provided with some information on low income pensioners. These customers are then to be given a rebate on their bills.

There is a train of thought which advocates fully taking finding customers out of the hands of energy companies via full data sharing. There is some logic here, in terms of it making it easier to find the fuel poor, but the issue of funding fuel poverty measures then arises as below. However, there are also concerns here that, under current arrangements on CERT and the Warm Homes Discount that suppliers are being obliged to seek information on customers that are beyond the normal customer/commercial company relationship, such as in relation to benefits data and health conditions.

Funding fuel poverty measures

The provision of the Warm Homes Discount data does raise an important question. If money is just to be transferred to poorer and more vulnerable peoples' accounts, should this be paid for by energy companies or the tax system? Sometimes this point is used by people to say that the energy companies should pay as they have a responsibility. However, this point ignores the fact that, over time, energy companies will, quite rationally, pass these costs on to their consumers. If the cost is therefore going to reach consumers anyway, SSE believes it would be better to use the benefits system, which is means tested, rather than energy bills, which are not, for delivering cash rebates as part of social policy.

It is worth noting however that, should fuel poverty measures continue to be funded through bills as opposed to the tax base, it is important that this is done as fairly as possible. Currently the CERT scheme's targets are apportioned according to electricity customer numbers. However, it may be sensible to insulate those customers who are off the gas grid from these charges by setting obligations on gas customer numbers as well as electricity customer numbers. It may also be useful to apply these according to customer usage. In particular, such new policies as the Energy Company Obligation (ECO) (which SSE believes should be targeted primarily at the vulnerable) which is designed to reduce heating costs should be based on heating cost inputs, such as gas usage.

The definition's unintended consequences

The definition itself and its application have also caused problems and unintended consequences. Three of these issues are listed below:

- The Moving target – Because of the nature of the fuel poverty definition, some people will drift in and out of fuel poverty depending on such things as their employment status and the time of the year/weather. This means that finding people can be difficult, as can getting customers (whose circumstances have changed for the better) off their existing assistance packages.
- The 9.9% problem – Under the current definition those spending 9.9% of their income are treated totally differently to those who spend 10%, while those spending 10% are treated the same as those spending 20% or more. This “one-size-fits-all approach” is clearly at odds with solving complicated personalised problems like fuel poverty.
- 10 times the focus – Currently, the definition means that policies that take £1 off the price people pay for their energy are worth the same (in policy terms) as policies which result in £10 being added to someone's income. This means that civil servants and Ministers are currently incentivised towards often less sustainable “money off bills” solutions if they want to meet their targets.

Responsibility for fuel poverty

As can be seen from the annexe, SSE undertakes significant activity in order to protect our vulnerable customers, whether through social discounts and tariffs, personalised payments or our Trust Fund. However, Government needs to decide where ownership of this issue lies. It would seem that poverty in

itself, which clearly overlaps heavily into fuel poverty, is “societies’ problem”, while the efficient usage of fuel is obviously an area where SSE is best placed to assist with the policy solution.

An interesting example of where areas have got blurred relates to benefits entitlement checks. SSE undertook 120 benefits checks last year (costing £2,640 in total), where 55 people received, on average, £1,100, meaning that they benefitted by £60,500. SSE undertakes this work as it is a really effective way of assisting vulnerable customers.

A Better Way: Targeted Fuel Poverty Agency Approach

In SSE’s view a far more targeted system is needed to specifically address fuel poverty. The solution needs to be better linked with benefits data, better focused on finding the “right solution” for each customer and better linked in with energy efficiency schemes and helping people to make the right personal choices.

SSE does not believe that this can be performed adequately through energy companies and the myriad of other advice centres, correspondingly our proposal is for a Fuel Poverty Agency (as part of Government or the voluntary sector) to be set up, specifically to focus assistance to the people who need it most.

We see the role of the Fuel Poverty Agency to be as follows:

- The first port of call for anyone struggling to pay their bills once their supplier has got them on the best tariff for their needs
- Ensuring that the individual is on any benefits that they are entitled to
- Ensuring that those individuals who are struggling with their bills are on a “priority list” for receiving energy efficiency measures through the new Energy Company Obligation (which SSE believes should be purely targeted at those in fuel poverty).
- Ensuring that the individual receives a core element of financial advice. This could be linked to other Financial Inclusion institutions
- Linked with efforts on water poverty, which has similar, but not identical characteristics

The key point is that the Agency will be able to better find customers and make better assessments of need than energy companies and will have a range of options for improving peoples’ circumstances, far exceeding those offered by energy companies. It also overcomes many of the perceived problems associated with enhanced data sharing with energy companies.

Clearly, Government funding is unlikely to be forthcoming in huge quantities. Correspondingly, while it would be clearly preferable for this to be funded through the tax base, SSE appreciates that bills may have to be used in the first instance. However, re-directing money from the Winter Fuel Payment (£2 billion per year) should also be considerations.

It is also possible that this Agency could sit directly beneath one Minister so that it is considered sufficiently accountable. This should probably be the Cabinet Office, due to the fact that this is an issue for DECC, DWP, and the department for Health. Alternatively, it could be run through a charitable body in order to chime with the Big Society Agenda.

However, SSE believes that the Agency should not be focussed on delivering to the current target. It should be focused on those who need assistance most first, then work its way up to those with less need.

An alternative? Fuel poverty points system proposal

Fuel poverty could be “scored” by a new indicator. This indicator could take account of income, fuel bills, energy efficiency rating of the home and other appropriate factors. SSE has outlined conceptually some of the elements such an indicator might need to include, but clearly there would be considerable amount work involved to properly assess the proposal and to progress a detailed design.

The indicator could be designed such that:

1. Someone who is deeper in fuel poverty (i.e. spending a higher proportion of their income on keeping their house warm) would have a higher “fuel poverty score”;
2. Someone who has a higher income would have a lower fuel poverty score than someone with a lower income even though both spend the same proportion of income on bills; and
3. Someone who is somehow defined as longer-term fuel poor would have a higher score than someone whose fuel poverty is more short-term.

Such an indicator could have several advantages, such as:

1. The Government could still set ambitious, binding, but more realistic targets based on reducing overall fuel poverty scores;
2. Credit would be given for reducing the depth of fuel poverty. Currently if someone who spends 20% of income on heating receives help that means they then spend 15% of income on heating, the number of people in fuel poverty remains unchanged. With the proposed indicator the overall fuel poverty score would have been reduced. Further, a policy such as a supplier obligation lifts some people (who receive energy efficiency measures) out of fuel poverty but places usually a greater number of people (who pay through bills but do not receive measures) into fuel poverty. An indicator that reflects the depth of fuel poverty might show a neutral or positive net fuel poverty score for such a policy, which may be a fairer reflection. This would improve the regulatory impact assessment process;
3. Policies would generally target help where it was needed most, because you would get a greater reduction in fuel poverty score for example by improving insulation in a long-term fuel poor house than a shorter-term house, or by improving the most inefficient houses first;
4. The indicator would partly address the problem with the current system whereby someone whose income increases by £100 and whose energy bill also increases by £100 may become fuel poor as a result even though they are clearly no worse off overall, because the higher income would reduce their fuel poverty score; and
5. The sliding scale on income for a given % spend on heating reduces perverse effects of people on reasonable incomes choosing to live in particularly large, inefficient houses being considered fuel poor.

There are also some potential disadvantages:

1. This proposal could be displayed as avoiding tackling fuel poverty properly by “weakening the target”. This of course depends entirely on the details of the design of the indicator and its application. This could be mitigated if DECC develop the indicator concept but it is designed by an independent third party and then undergoes a robust peer review and consultation process;
2. It could be confusing as it will inevitably be more complicated than the % of income definition;
3. It could be temporarily disruptive to change indicators. This could be mitigated by having a period of say 2 years in which the new indicator is reported on but targets continue to be set using existing indicators.
4. It will not help with targeting, for example of supplier obligations. Sensible proxies will still be required to identify customers that need help.
5. Given the issue of those who are asset rich but low income, there may need to be an indicator of house value.

Annexe A – Some of SSE’s fuel poverty activity

Identification and targeting of vulnerable and fuel poor customers

SSE identifies vulnerable and fuel poor customers in the following ways

Proactive identification by SSE customer service staff (or other community staff) and referred internally to a specialised team

In-house training for all of our front-line advisors (some 4,000 staff) includes raising awareness of fuel poverty issues, effective questioning techniques etc so that advisors are better equipped to identify vulnerable or fuel poor customers who will benefit from our assistance. We also operate specialised teams within customer service who are dedicated to dealing with our vulnerable customers identified by front-line advisors. These teams have the expertise required to assess the customer’s situation on a case by case basis, to ensure the most appropriate help is provided and that these customers are “marked” so that if they call again customer service staff are aware of their situation.

In addition, staff working out in the community, such as meter readers and debt collectors, are trained to look out for signs of vulnerability especially during the winter months. Where they believe that a customer may be vulnerable, eligible for our social tariff, rebates, or in need of any other help that may be available e.g. our Priority Services Register, they refer the customer to our dedicated team.

Given the current economic situation, combined with the severe weather experienced over the past two winters, we have ensured there has been an extra focus through our Winter Care Campaign on helping our vulnerable customers throughout this period.

We also have information on each of our branded websites to inform customers of the services that we offer. In addition, we have produced a leaflet which we have piloted with Citizens Advice Bureaux across the UK. The leaflet aims to encourage customers to contact us as soon as possible, so we can work with them before their difficulties escalate.

We send many communications to customers which signpost the help that we can offer and encourage them to contact us if they (or someone they know) might be vulnerable and in need of additional help and support. We include information on our debt follow-up letters on who customers should contact if they are or think that they might have difficulty paying their bill.

We took part in the data sharing pilot (Energy Rebate Scheme) which helped SSE target more vulnerable customers for addition to the Priority Services Register (PSR) and offering energy efficiency advice and measures.

Referrals from external agencies

We often find that we are approached by third parties who inform us that a customer may be fuel poor or vulnerable. Contact may also take the form of MP letters, complaints and contact from external agencies. Over the past years we have therefore significantly enhanced our working relationships with external agencies, such as Citizens Advice Bureaux, Energy Assistance Package (in Scotland), Age UK and local Councils and energy advice agencies across Scotland, England and Wales. We provided them with Agency Packs to ensure that they have the most up-to-date information about the services we offer.

We also provided training for many third party agencies in order to ensure the advisors are up to date with the help we have in offer, our tariffs and payment arrangements.

We have a dedicated team in Credit Management to deal with contacts from Citizens Advice Bureaux and the Department for Work and Pensions. We have also created a third party complaints team within Customer Relations, which manages the redress arrangements. These departments have strong links with Citizens Advice Bureaux, Consumer Focus, Consumer Direct and other agencies and can offer specialised advice to customers or their representatives.

Using existing data sets for targeting

We participated in the Government led data sharing pilot in order to identify vulnerable customers who were provided with a fixed rebate and access to further help. This allowed us to use this information in order to offer our most vulnerable customers with energy efficiency advice and the opportunity to join our Priority Service Register.

On a number of occasions we have also mailed to specific target groups of customers using customer subsets, e.g. those on fuel direct, those with certain debts or those on our Priority Service Register. Our Winter Pack mailout resulted in over 120,000 customers contacting us to take advantage of the free energy savings pack.

Similarly, during cold snaps over the last few years we matched a sample of customers on our Priority Services Register (PSR) with our prepayment (PPM) database. We further segmented customers based on the category of flag (supply critical, oxygen machines etc) and identified customers that we believed would benefit from an urgent phone call given the cold weather to ensure they were coping and not struggling to keep their heating on. Following contact with customers, most customers confirmed they were happy with their PPM arrangements and in some cases we gave the customer a rebate payment in order to prevent the customer from worrying about their energy usage over the winter period. We also identified customers for whom we considered a PPM was no longer appropriate and arranged for a meter exchange to take place.

Remembering vulnerable customers

After the customer has been allocated to our social tariff, received a rebate, been placed on our Priority Services Register or referred to SSE Sustainable an indicator will appear on our customer service database which will clearly show that this customer is vulnerable. At each point of contact advisors can therefore adapt the service they provide to that particular customer.

How we assist our customers

Customers who are placed on our social tariff or receive a rebate are dealt with on an individual basis, according to their particular needs. In order to ensure a holistic approach, benefit entitlement checks and energy efficiency advice and measures are offered, as appropriate. Energy efficiency advice can be provided over the telephone in a high proportion of situations; however, we also have dedicated Energy Efficiency Advisors for customers who are referred to SSE Sustainable, our trust fund. These advisors will visit customers in their homes to provide advice where this is considered appropriate. These Advisors will also work with key Agencies and Stakeholders to provide energy efficiency advice more widely. We believe that our investment in this approach provides maximum benefit to our customers, particularly our fuel poor customers.

energyplus Care

Our social tariff energyplus Care currently offers a discount on average of at least 30% versus our standard prices on customers' energy bills and includes free energy efficiency advice and measures, such as a free A rated appliance and referral for CERT activities such as loft insulation. We also offer customers a free benefit entitlement check. Eligibility is not limited to any particular group(s) or income type(s). Not all of these options are taken up by every customer.

Whilst the tenure of the tariff is 1 year, customers do have the opportunity to remain on the tariff providing they re-qualify under the eligibility criteria at that time.

As a general rule customers will be asked to complete an application form for energyplus Care either in writing or over the phone, with the assistance of our specialised advisors. Our specialised advisors carry out individual assessments of customers who may be eligible in order to determine the scale of 'fuel poverty'. Customer service advisors take account of the customer's electricity and gas bills regardless of whether or not both fuels are supplied by SSE, as well as any other fuels. This is based on a points system which takes into consideration:

- Whether the customer spends more than 20% of their total household income on energy bills or space heating (i.e. oil or LPG);
- The type of property and how energy efficient it is;
- Their household income / benefits received; and
- The customer's health, disability / special needs.

While carrying out the individual assessment, advisors are trained to take account of additional factors that may contribute to the customer's eligibility for the tariff. The health questions allow the advisor to award additional points where appropriate, for example, if we are aware that a customer is a cancer patient, has specialist equipment etc. the advisor can award additional points to increase eligibility for the tariff. We also use this information to determine whether the customer would benefit from being on our Priority Services Register, critical supply register or from any of the other services that we can provide.

Recognising that some customers may not find it easy to provide the information required at assessment, our advisors have been fully trained to accommodate customers' individual needs using a "common sense" approach. As such, flexibility is offered, with some customers being taken through the application process over the telephone and in some situations the requirement for proof of income/ benefit is waived. Our advisors also work closely with Agencies through the dedicated 'phone line to transfer vulnerable customers onto this tariff.

Winter Care Rebate

Our Winter Care Rebate consists of all of the relevant criteria as mentioned above, however the customer will receive £50 per account if they currently spend between 10 to 14% of their income on energy or £100 per account if they spend between 15 to 19% of their income on energy. Also, those customers who spend between 15 to 19% of their income on energy will be referred to SSE Sustainable for additional assistance (this assistance would, however replace the £100 per account rebate). Those customers continuing to spend above 20% of their household income on energy would be placed on our social tariff, energyplus Care.

We believe this approach has allowed us to target help to those customers who need it most, whilst being able to maintain a significant proportion of help towards our more vulnerable customers. It has also had the benefit in ensuring that each customer is helped in the most suitable way, dependent on their particular circumstances.

Trust Fund: SSE Sustainable

A key objective for our trust fund SSE Sustainable is to help alleviate fuel poverty through a number of initiatives including the installation of energy efficiency measures for our most vulnerable communities and customers in low income households.

SSE Sustainable is a wholly owned, not for profit company established by SSE Group. The management team and staff work outside of SSE targets and objectives, remaining independent and focused on reducing fuel poverty.

After a customer is declared vulnerable and passed to SSE Sustainable for further assistance they are then provided with tailor made information after a detailed assessment of the customer's situation was undertaken. This allows for the SSE Sustainable advisor to provide information and assistance in relation to the following:

- Energy efficiency advice and information on possible further assistance. This is seen as a 'hand-holding' exercise that includes talking the customer through applications for assistance and more detailed advice on their heating system and use of that system.
- Heating measures and repairs that the customer will benefit from;

- Depending on the customer's circumstances the advisor in discussion with the customer, will conclude whether a free A+ rated appliance or other measures, such as a £100 rebate, is most of use to the customer.

Assisted Connections

The SSE group owns a 50% stake in the UK's second largest gas distribution network, Scotia Gas Networks (SGN). Operating across the whole of Scotland and South East England including parts of London, Scotia Gas Networks provides gas connections to 5.7 million customers.

It is clear from the evidence that on average, having a gas connection and gas central heating is cheaper than the other main options including electric heating, oil heating and LPG heating. DECC's own evidence submitted to the Energy and Climate Change Committee last year during their fuel poverty enquiry explained that on average, using gas for central heating is £250 per year cheaper than the other options. This evidence also explained that in 2007, 23% of households not connected to the gas grid were in fuel poverty, compared to 12% of people using gas for their main heating fuel. In a very high number of cases, gas connections therefore have the potential to remove households from fuel poverty.

Through SGN's 'Assisted Connections' programme, SGN are able to offer low or zero cost connections to the gas grid subject to an economic test. The households have to meet certain criteria for example being fuel poor or being located in a deprived area. Currently SGN are well on their way to meeting their target, set by Ofgem, of 10,000 assisted connections by 2013 having already completed 4,000.

Other assistance

The severe weather conditions during winter 2010 and 2011 provided a number of challenges for SSE. Further to our Winter Care Initiative, all prepayment staff were provided with a brief outlining the issues that many of our prepayment customers were likely to face in order to ensure our customers, including some of our most vulnerable, were given additional support during the severe weather. This included proactive outbound calls to prepayment customers to check on their well being and ensure they were managing to keep their meter 'topped-up'. In some circumstances, rebates were provided for customers to help them through this difficult period. In situations where debt was being repaid on a meter, our advisors ensured that the payments were manageable and in some circumstances made arrangements to have them reduced to help the customer

SSE has an independent Fuel Poverty Advisor from Energy Action Scotland. By working closely with him, we have developed our ongoing strategy to ensure the needs of vulnerable customers are addressed. Our Advisor provides impartial advice to SSE's senior management team on the best way to improve our service ensuring transparency and accountability.

SSE has a Fuel Poor Code of Practice which sets out a series of commitments that SSE has made to tackle fuel poverty and to help its most vulnerable customers.

We also have a long-standing policy of equalising electricity PPM tariffs to reflect the amount charged to a standard quarterly customer. The value of this subsidy to PPM customers is over £12 million each year.