

London Councils

The voice of London local government

‘Fuel poverty and cold homes’

Westminster Hall debate

Tuesday February 11, 2014

Summary and key messages

London Councils is very concerned about fuel poverty and this is very much connected to the issue of lack of competition in the prepayment meter tariff market. Fuel poverty is a widespread problem in London, according to DECC, affecting around 13 per cent of homes in the capital (2009). However the Greater London Authority (GLA) modelling, using a definition taking into account housing costs, puts this figure much higher at 24 per cent of all homes in London (2008).

As a result of our work on fuel poverty, it is clear that many vulnerable households are keen to switch to a lower tariff. In particular, we are concerned about the challenges that the lack of competition in the energy market poses for boroughs seeking to address fuel poverty in London. However, in spite of the good intentions of London local authorities working together, utilities currently do not offer competitive tariffs to customers on prepayment meters.

In order to address these problems, London Councils last year led the Big London Energy Switch (BLES). The BLES scheme’s aim is to support and encourage people, particularly the most vulnerable, to save money by switching energy provider. It currently operates in 23 boroughs in the capital and BLES was the biggest local authority switching scheme last year.

The link between fuel poverty and prepayment meters

The most vulnerable households, and in particular those within social housing, are more likely to have prepayment meters and therefore stand to gain the most from better energy tariffs. It is regrettable therefore that the utilities companies had to be pushed to even provide a tariff under the BLES scheme. The BLES official evaluation report written by the Energy Saving Trust said that:

‘Utilities do not see the benefits of bidding for prepayment meter customers in collective switching programmes. iChoosr (the scheme switching provider) therefore had to ask British Gas (the utility with the largest number of prepayment meter customers) to come forward with a tariff for registrants that were on a prepayment meter. This highlights that there is even less competition in the prepayment meter market, with fewer tariffs available, compared with the non-prepayment market.’

See [hyperlink to the evaluation report here](#)

From the evaluation, looking at the type of people that registered, we can see that many of them are vulnerable and could gain much from better energy rates: In total, there were 26,433 registrations for the first London switch in April 2013. Of those that registered (note registrants can fit into more than one group):

- 19 per cent (4,443) of registrants indicated that they were in receipt of at least one benefit and 39 per cent (8,963) are in a household that includes someone over 60
- 20 per cent (4,597) are in a household that includes someone with a long term illness or disability
- 11 per cent (2,528) are in a household that includes a child under 5
- 19 per cent (4,443) have a household income below £13,308

The London experience.

London has a relatively high proportion of low income households that naturally find growing energy prices challenging to pay. Some support already exists for low income households in the form of social energy tariffs, Winter Fuel and Cold Weather Payments, but these are not always available to the families that need them most. Local authorities can use the frequent contact they have with a wide range of households to ensure that people in fuel poverty are accessing all the help to which they are entitled.

London also has a high number of older, less well-insulated homes that require more energy to heat to a satisfactory level. All of London's boroughs are already involved in promoting the retrofitting of energy efficiency measures in housing across the capital, which will ultimately be the long-term solution to the problem. However, the nature of London's housing market means that many low income families live in privately rented properties scattered throughout more prosperous areas where average income levels would disqualify the area for this kind of support.

Conclusion

Alleviating fuel poverty is best done by tackling one or all of its contributing factors: low income; high energy costs; or the thermal performance of homes. Of these, the upgrading of a home's thermal performance offers the most sustainable long-term solution to the problem.

In addition, a large number of useful lessons were learnt from BLES, the first ever large-scale London-focused collective energy switch with a specific focus on vulnerable residents. In particular, it is worthy of note that the evaluation report had as one of its recommendations:

"No.28 - This (energy) switch has highlighted the limited competition in the prepayment meter market. Ofgem and DECC should take action to ensure more competitive tariffs are available, given the number of vulnerable customers using prepayment meters."

London Councils hopes that this debate can be an opportunity to highlight the issues of fuel poverty and the link to the lack of competition in the prepayment meter tariff market. Can Ofgem and DECC not take action to help households get more competitive tariffs.

If you require any further information, please do contact us - details below.

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London Councils represents all 32 London boroughs and the City of London. The Mayor's Office for Policing and Crime and the London Fire and Emergency Planning Authority are also in membership