

SCOTTISH FUEL POVERTY ADVISORY PANEL

Executive Summary

1. The Scottish Government has requested initial advice from the Scottish Fuel Poverty Advisory Panel on actions which can be taken in response to escalating energy prices and the detrimental effect these are having on those suffering fuel poverty. This advice offers a preliminary response with an emphasis on immediate, short-term actions, along with medium-term recommendations.

2. The Panel is newly formed but has engaged widely across the third sector (advice agencies and housing associations) and energy sector (retail and network energy companies, trade associations, Ofgem and the Ombudsman). It has also engaged with those with lived experience of fuel poverty. This initial advice is informed by this engagement as well as the Panel's own knowledge, experience and understanding.

3. The recommendations, set out below, are organised thematically.

Theme 1: Optimise Advice Agencies' delivery to mitigate the impact of rising energy prices, and other cost of living challenges, on households. (Recs: 1-4). Advice agencies are a crucial part of frontline support to those in fuel poverty. Action is needed, both tactical and strategic, to enable them to tailor services according to local needs and to be supported in this by both government and commercial companies.

Theme 2: Protect those suffering fuel poverty, and those at risk of entering fuel poverty, from its long-term effects (Recs 5-8). There are opportunities to:

- leverage good practice (e.g. operation of the Fuel Insecurity Fund) to make access and distribution of funding simpler to households who need urgent support
- adopt a cross-sector approach to fuel poverty mitigation, such as the Warm Homes Prescription Model, laying the ground for more joined up and effective working
- step up funding for household energy efficiency and regulation, alongside a more nuanced understanding of fuel poverty effects on those who have enhanced needs, self-ration or self-disconnect.

Theme 3: Continue to advocate for Government funding and policy change to mitigate the escalating disparity between incomes and energy prices (Recs 9 & 10).

The Scottish Government should continue to urge the UK Government to use its powers to support the financially vulnerable, as well as ensuring that it uses its own powers to optimum effect. It should also press the UK Government to reform the energy market, using its influence, to help secure freedom from future fuel poverty brought about by high energy prices. The Scottish Government should also consider what more it can do to simplify the funding landscape; support joined-up working; regulate, and promote research, in order to respond to immediate vulnerability and secure more energy efficient homes for the future.

Theme 4: Monitor and evaluate the Fuel Poverty Strategy (Rec 11). The Scottish Government should develop a monitoring and evaluation framework for the Fuel Poverty strategy and undertake renewed estimates of levels of fuel poverty.

Recommendations

Rec No.	How quickly?	Recommendation
Optimise Advice Agencies' delivery to mitigate the impact of rising energy prices, and other cost of living challenges, on households		
1	Immediate	Ensure that advice agencies can focus on the delivery of frontline services. This can be supported in the short-term by providing the additional funding commitment, made through Programme for Government, with a multi-year guarantee.
2	Immediate	Launch a public information campaign, targeting specific communities, as soon as possible to keep people warm and healthy this winter.
3	Immediate	Scottish Government should broker a voluntary priority protocol between itself, advice agencies and energy suppliers to achieve the best outcomes for those struggling with energy bill payments and debt. This would target 4 specific areas where a voluntary protocol could be of tangible help to the financially vulnerable: <ul style="list-style-type: none"> I. energy supply companies should facilitate easy access for advice agencies through dedicated numbers for all advice agencies II. energy network and supplier companies should use data to enable more proactive identification of those in financial vulnerability III. energy suppliers should manage the sharing of customer credit records, for consumers who fall into debt this winter, in the overall context of the customer's credit record and with sensitivity to the exceptional circumstances of the energy crisis IV. energy companies should provide targeted information on the efficient use of heating systems to their customers – if they have not already done so.
4	Immediate	Review the design of energy advice services, including the funding model for advice services, to inform funding and policy decisions in 2023/24.
Protect those suffering fuel poverty, and those at risk of entering fuel poverty, from its long-term effects		
5	Immediate	Adopt the Fuel Insecurity Fund model in the design of future funds to support the vulnerable.
6	Immediate	Adopt the Warm Homes Prescription model as a policy initiative.
7	Medium	Increase the policy ambition and funding for energy efficiency in homes and introduce stricter standards for new build properties.
8	Medium	Fund research into definitions and modelling of advanced heating requirements.

Continue to advocate for Government funding and policy change to mitigate the escalating disparity between incomes and energy prices		
9	Immediate	9.1 The Scottish Government should press the UK Government to use its fiscal and policy levers to stress the need for resources to support the fuel poor – recognising the particular challenges faced by those off-grid and underpinned by the principle of “equity” for all
		9.2 The Scottish Government should ensure that, within the constraints of reserved energy policy, devolved policy and fiscal levers are being deployed to best effect now and after April 2023.
10.	Immediate	The Scottish Government should urge the UK Government to reform the energy market – including the taxation and pricing models.
Monitor and evaluate the Fuel Poverty Strategy		
11	Immediate	The Scottish Government should develop a monitoring and evaluation framework for the Fuel Poverty strategy and undertake renewed estimates of levels of fuel poverty.

The Scottish Fuel Poverty Advisory Panel
c/o 7th Floor
5 Atlantic Quay
150 Broomielaw
Glasgow
G2 8LU

18th October, 2022.

The Scottish Fuel Poverty context

A number of factors have coalesced to create a unique challenge for those already in fuel poverty, and for those who will become fuel poor as energy prices continue to rise. Rises in average household energy costs over the last year are unprecedented, with the Price Cap rising from £1,277 in October 2021 to the current Energy Price Guarantee for October 2022,¹ of £2,500² to April 2023. This figure reflects the average cost paid per household on energy but is not a cap on total household energy expenditure. Many households, including vulnerable households, in Scotland will exceed this figure based on higher rates of usage.

Even with the Energy Price Guarantee in place, and the Energy Bills Support Scheme £400 discount,³ by April 2023 average energy prices will have significantly increased since October 2021 for the typical household. The current model for price setting (the Price Cap), and the market volatility which has undermined it, is ineffective as the need for governmental interventions demonstrates.

However, the cap does at least provide some price structuring for those on gas and electricity networks. Those off the gas grid (typically using: heating oil, bottled gas or solid fuels) are even more exposed to price volatility as these sources are not subject to the same price protection.⁴ People living in remote rural Scotland **pay more to buy less** energy. They are unlikely to have access to cheaper mains gas, and their heating source (typically electricity or oil and often supplemented with wood) with its higher unit price per kWh of energy realised, results in reduced energy buying power.

In Scotland, this results in higher fuel poverty rates in geographic regions which are rural and off grid.⁵ The Prime Minister promised “equal support” for those living off grid. However, the £100 payment announced to these households will not provide equivalence.⁶

The Panel has heard from consumer advocates who represent communities using electricity as the primary heating source. These communities are anticipating annual energy costs well in excess of the ‘average’ £2,500 annual charge. The Panel would also note that the use of averages masks the full extent of fuel poverty, or extreme fuel poverty, faced by vulnerable households with above average consumption and in homes not heated by gas.

The October 2022 Energy Price Guarantee

Even with the UK Government guarantee and the previously announced UK Government mitigations, the Scottish Government estimate that around 860,000 households (35% of all households) in Scotland will be in fuel poverty. Around

¹ [PM Liz Truss's opening speech on the energy policy debate - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/speeches/pm-liz-truss-s-opening-speech-on-the-energy-policy-debate)

² [PM Liz Truss's opening speech on the energy policy debate - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/speeches/pm-liz-truss-s-opening-speech-on-the-energy-policy-debate)

³ [£400 energy bills discount to support households this winter - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/400-energy-bills-discount-to-support-households-this-winter)

⁴ A separate arrangement, to mirror the Energy Price Guarantee has been put in place for those off grid.

⁵ [fuelpovertyLAMapV3 \(theclaymoreproject.com\) & Scottish House Condition Survey: 2019 Key Findings \(www.gov.scot\)](https://www.gov.scot/publications/fuelpovertyLAMapV3/theclaymoreproject.com/), p. 6.

⁶ [Government support for energy bills begins for households and businesses - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/government-support-for-energy-bills-begins-for-households-and-businesses)

600,000 of these households (24% of all households) will be in extreme fuel poverty. The Scottish Government has also estimated that freezing the price cap at £2,500 will prevent around 150,000 households from becoming fuel poor when compared with Ofgem's forecast price cap of £3,549 for October 2022. However, a price cap of £2,500 (on average) will still see an increase of around 110,000 households entering fuel poverty and 150,000 extreme fuel poverty compared with the current April 2022 price cap of £1,971.

The UK Government had originally planned for the Energy Price Guarantee to run until October 2024. However, the Chancellor's statement of the 17th October, announced that this would end in just 6 months' time, with no information about what is to replace it after April 2023. This is a cause for concern to the Panel but is also an opportunity for the Scottish Government to urge the UK Government to shape the immediate next set of measures with a sharper focus on supporting the most vulnerable households, and alleviating the growing pressure on people and services.

Fuel Poverty drivers

Historic data suggests that energy usage is inelastic – energy is used, regardless of price, because it is difficult to store and, more importantly, fundamental to the functioning of society. However, what we are increasingly seeing today are those with the least means often rationing their energy use to the point that it is harmful to their health and wellbeing.

Energy and money advice is therefore essential to mitigate the fuel poverty drivers of **high energy prices**, how **energy is used in the home** and **low household income**. Creating optimal energy efficiency in homes, as well as incentivising energy efficient behaviours, mitigates the fuel poverty driver of **poor energy efficiency of the home**.

Tackling these 4 drivers of fuel poverty, requires a holistic approach to energy policy and one developed in consultation with, and leadership from, the UK Government which has certain policy and fiscal levers not available to the Scottish Government.

Panel engagement and early findings

The Panel, within its membership has a wide range of academic, consultancy, third sector and lived experience of fuel poverty. Building on its own knowledge and understanding, the Panel has prioritised engagement with advice agencies, energy companies and regulators. It has heard first-hand about the experiences of those suffering fuel poverty, the front line challenges in supporting them, and where intervention or policy change could provide some additional mitigation.

Although the Panel is in the early stages of its engagement, it is already hearing some deeply troubling stories and experiences from those working on the front line. There is a strong sense of foreboding, bordering on despair about the coming winter months, given how much people were, and are, already struggling. This is in spite of the UK Government's support packages. Energy advocacy and wider support services alike note that they can barely keep up with the exponential increase in

demand. With support beyond April now in limbo, the sense of foreboding will be even more acute.

The Panel is hearing that, even before many households turn on their heating and feel the full effects of winter consumption at increased rates, advice agencies are seeing peak winter levels of demand for their services because of unaffordable energy prices. There is a strong sense that even the April price cap rise has yet to bite. This makes the prospect of winter, and the temperature-driven increases in energy consumption it will bring, along with the combined effect of both the April and October price rises, even more alarming. There is already evidence of people self-disconnecting, rationing and, in some isolated incidents, being disconnected by their supplier or seeking alternative fuel sources that may prove dangerous without appropriate, well maintained infrastructure. In addition, all vulnerable customer support groups, whom the Panel engaged with, have reported many in their client base saying that they will not use their heating this winter. This will impact health – both mental and physical – with a real threat to human life. We already know that those suffering socio-economic disadvantage, and are in debt, are more likely to suffer suicide.⁷ We also know that household debt is escalating and that energy costs play a significant part in this.⁸ There is a realistic possibility of above average excess winter deaths. The inflationary and employment pressures of rising energy prices will not only affect those who are already fuel poor but a whole new demographic will become fuel poor with the October price rise and, potentially, when the Energy Price Guarantee is removed in April 2023.

The Panel is focussed on fuel poverty effects on households, and the individuals who form them. However, the Panel also recognise related issues around the cost of living, inflation, and economic recession, which will impact businesses. **Low household income** is one of the drivers of fuel poverty. If businesses fail and unemployment rises this will clearly increase levels of fuel poverty. Businesses, and the premises they occupy, also provide accessible warmth for those unable to heat, and who are therefore displaced from their homes.

The Panel has heard from a number of organisations who have highlighted how uncertain the nature of third sector funding is, and that the short-term funding approach can lead to short-term decision making. The Panel has heard about escalating levels of need and support with one third sector organisation facing a doubling of the number of households presenting for help, and a more than doubling of the time taken to provide a material level of support. The Panel therefore welcomes the Scottish Government's Programme for Government ([A Stronger More Resilient Scotland – Programme for Government, 2022-2023](#)) and its commitment to provide £1.2 million of additional resources to advice organisations, supporting them to help households in difficulty, and to help households and businesses access advice and support on energy efficiency. This, along with the public information campaign to highlight help and support, including energy efficiency measures, is a move which the Panel would certainly have recommended had the Programme for

⁷ [Research briefing on prevention of suicide and self-harm \(healthscotland.com\)](#)

⁸ [Not heating, eating or meeting bills: managing a cost of living crisis on a low income | JRF](#) - the most prevalent level of energy bill arrears are between £100-£200, however for some households this increases to above £1,000. Some 30% of those in energy arrears owe more than £300 (600,000 households), while 22% owe more than £400 (440,000 households) p. 12

Government not made this commitment. The Panel also welcomes the measures to support household incomes and those who have fallen into debt, particularly the commitment to double the Fuel Insecurity Fund to £20 million in 2022-23, and increase winter fuel payments for the vulnerable, as well as the First Minister's more recent announcement doubling the winter child poverty bridging payments.⁹

The Panel also welcomes the Poverty and Inequality Commission's [Cost of Living Crisis advice](#) and the tangible steps it recommends to mitigate the fuel poverty drivers of **poor energy efficiency of the home; high energy costs and low household income.**

Recommendations: immediate and medium

Beyond commitments already made, the Panel are offering some initial recommendations on **immediate** action which the Scottish Government can take in the short-term during the remainder of this financial year. The emphasis of these is to ensure that:

- the extent of fuel poverty is fully understood
- existing programmes and relationships work as effectively as possible
- preparation for the medium/longer term.

Medium-term recommendations are looking to the next two financial years, the original timeframe for the Energy Price Guarantee, and as energy market reforms and Local Energy Strategies emerge. These will require more robust and proactive solutions.

⁹ [Scottish Child Payment Bridging Payments - mygov.scot](https://mygov.scot)

1. OPTIMISE ADVICE AGENCIES' DELIVERY TO MITIGATE THE IMPACT OF RISING ENERGY PRICES, AND OTHER COST OF LIVING CHALLENGES, ON HOUSEHOLDS

Even before the latest energy cost cap announcement, advice agencies report that they were struggling with multiple issues in delivering their energy management and money advice services. The Panel has heard that:

- demand for their services is increasing¹⁰ week on week
- queries are more complex and therefore more time-consuming to resolve
- there has possibly never been greater need for their services but for some clients they no longer have answers. For a growing cohort of those seeking advice, all efforts to increase their income and adopt those home energy efficiency measures within their power, have already been done. There is nowhere else to go in trying to bridge the gap between money coming in and essential spend
- the emotional toll on staff of work-demand and supporting sometimes desperate people, whom they do not necessarily have the tools to help, is having a detrimental effect on staff mental health. Much consultation time has moved from energy and money advice to counselling. This is not a skill set which these advisers necessarily have. Face to face support is often the most impactful but it is the hardest to deliver – it comes at an emotional as well as financial cost
- there is anecdotal evidence that some energy supplier debt response departments lack the resources and skills to engage when advice services approach them on clients' behalf and there has been a move away from offering 'charity hotlines' into some energy suppliers. As a result advice agencies waste time sitting in phone queues or being passed around different parts of the organisation only to be connected to customer service advisers without the knowledge or power to help. This dissipates the energy and resources of already stretched advice services and results in poorer outcomes for clients whose debt – with no agreed management plan – continues to escalate
- some agencies are also reporting that suppliers have removed Freephone numbers from their websites – leaving some people with increasing phone charges as they sit on hold in lengthy 'phone queues, adding to feelings of hopelessness and despair
- sourcing funding for advice services is challenging. Many agencies are chasing the same money and the short-term nature of funding has negative repercussions for service provision, detracting energy from the focus on their core advisory service. Short-term contracts, necessary from a budgetary perspective, make the employment and retention of staff difficult. Even as the Panel were engaged in conversation with advice agencies, one reported that two experienced members of staff had just handed in their notice to take NHS jobs which, in spite of lower remuneration, offer permanent contracts and secure employment.

¹⁰ A doubling of demand for services, even before the Winter has set in, is a ball park figure which several agencies have mentioned.

Immediate action

Recommendation 1 – ensure that advice agencies can focus on the delivery of frontline services. This can be supported in the short-term by providing the additional funding commitment, made through Programme for Government, with a multi-year guarantee.

The energy crisis has been characterised by the First Minister as a “humanitarian emergency”.¹¹ (There are also several recent reports, from a number of well-regarded organisations, whose analysis of the current poverty challenges in Scotland supports the First Minister’s reflection).¹² As with the public health crisis caused by the pandemic, it requires a covid-style response for front line services. Advice services have a crucial role to play in frontline support.

The additional, targeted funding, which the Scottish Government have committed, will increase, at least in the short-term, the resilience of advice services. It will help to secure existing resources and enable some scaling up and increase in advisory capacity in the face of what, some agencies are calling, a “tsunami” of demand. It could also provide some short-term help for staff in coping with emotionally vulnerable clients, as well as “keeping the lights” on by helping agencies with their own escalating energy costs. The collective insight, however, is that further support will continue to be necessary.

Recommendation 2 – launch public information campaign, targeting specific communities, as soon as possible to keep people warm and healthy this winter.

The Panel welcomes the Scottish Government’s recently launched [Cost of Living website](#) and the [public information campaign](#), running to the end of November, to promote it. The website is a valuable source of support and information through its “one-stop” shop design – signposting to the help available to cover: energy bills; benefits; health support, those with disabilities and families. The accompanying media campaign, across a variety of media channels, highlights the website well. It would be beneficial to embed the website and build on this asset further through adding a non-digital version, ensuring that the website is accessible to those with visual or audio difficulties, and to those whose first language is not English.

The Panel think there would be benefit in extending this media campaign through a series of simple messages, with different themes and target audiences in mind, to help keep people warm and healthy this winter. Covering themes such as how to heat your home, how to cook while managing your energy consumption and where to obtain crisis help. This would ensure that continued information was available throughout the winter as the risks of the consequence from living in fuel poverty and rationing energy consumption increase. The Panel has heard from both advice agencies and those with lived experience, about the need for continued, but simple

¹¹ [Programme for Government 2022-2023: First Minister’s speech - gov.scot \(www.gov.scot\)](#)

¹² [Poverty in Scotland Oct 2022](#); JRF; [Coronavirus Financial Impact Tracker | abrdn \(financialfairness.org.uk\)](#), July, 2022; [Citizens Advice Scotland](#), 2022.

to access and act upon, advice that can be trusted and is available at the point of need or crisis.

Recommendation 3 – Scottish Government should broker a voluntary priority protocol between itself, advice agencies and energy suppliers to achieve the best outcomes for those struggling with energy bill payments and debt.

Both energy suppliers and advice agencies, are telling us that they are concerned about the level of bad debt and its effect on consumers, as well as its potential impact on business viability. A **voluntary protocol**, providing priority access to services and debt management; leveraging of Priority Service Register data; sensitivity around customer credit reporting, and, targeted, simple “how to” messaging on household heating systems, would help to reduce customer demand on both suppliers and advice agencies and, critically, support better outcomes for the vulnerable.

Scottish Government can play a role in brokering a voluntary protocol between energy agencies and advice services. The recent [Ofgem Market Compliance Review](#) was critical of some suppliers and how they are supporting households experiencing difficulties in paying their energy bills. This aligns with what the Panel has heard in conversations with advice agencies and some suppliers (indeed some suppliers have acknowledged that they need to do more/are planning to do more). At the same time, the Panel has heard examples of very good supplier practice too, which suggest that there are opportunities for the sharing of good practice on customer debt management.

I. Energy supply companies should facilitate easy access for advice agencies through dedicated numbers for all advice agencies

Anecdotal evidence suggests that customer service demand for debt management plans is already outstripping what some suppliers have the capacity to negotiate and agree. Advice agencies are clear that this is impacting on the effectiveness of their services and leading to poorer outcomes for those already in debt and vulnerable. For example, the Panel heard that repayment plans are often problematic with some energy suppliers automatically expecting a high, and often untenable, repayment rate if paid via direct debit. A lower repayment plan can sometimes be agreed if a client can prove they have received debt advice but currently only a small number of advice agencies are recognised by suppliers. These certainly do not have the capacity to fulfil debt advice demand. Although many other advice agencies are available, few of them are recognised as debt advisers by energy supply companies.

If a direct debit repayment plan cannot be managed, a pre-payment meter can enable people to maintain their supply and payback debt over a longer time period. (Even though pre-payment meters are one of the more expensive ways to pay for energy services). In short, people’s capacity to repay debt and meet their current energy needs does not always appear to be the primary consideration in setting repayment plans, unless done via an energy company “recognised” debt advice service and there are few of these.

If suppliers restrict customer service capacity for the financially vulnerable for short term cost containment, which is what some energy suppliers appear to be doing, this does not make sense. Debt levels are only going to continue to rise as energy costs increase from their already unprecedented levels. The development of a protocol would strengthen lines of communication between advice agencies and energy suppliers. This would benefit all:

- advice agencies, over and above recognised debt advice agencies, would have a direct line to those who can help set realistic payment plans for their clients. This would enable them to spend their time in helping their clients rather than navigating unhelpful systems and allow them to talk immediately to someone empowered to help
- those [clients] already in fuel poverty would avoid escalating debt charges, giving them back a sense of control and avoiding the risk of them either self-disconnecting or being disconnected
- energy companies would have a greater chance of recouping customer debt and reducing debt management costs.

II. **Energy network and supplier companies should use data to enable more proactive identification of those in financial vulnerability**

A tangible output of the voluntary protocol could be for energy companies to include more robust financial vulnerability code/s on their Priority Services Register¹³ as well as to consolidate and simplify these. [Energy suppliers and network operators each keep their own register: there are around 73-74 of these]. **It would be an opportune time to explore introducing a single consolidated register that both energy supply and network companies access and update.** Ofgem could also be encouraged to mandate proactive identification among Priority Services Register holders.

Companies could also use financial vulnerability code data intelligence dynamically in their management of financially vulnerable customers. For example, assessing whether movement to a pre-payment meter really is the best option for a particular customer.

The inclusion of a financial vulnerability code on Priority Service Registers would also facilitate the effectiveness of data-sharing and transparency on financial vulnerability between energy companies,¹⁴ enabling a more holistic approach to addressing the needs of those in fuel poverty. This would be taken to a whole new level of transparency, leading to targeted support, if a single, consolidated Priority Services Register, covering all energy companies, were created.

Connected to financial vulnerability, the Panel has heard some worrying evidence about the health and safety aspects of home energy management where fuel poverty was often the root cause. For example, gas boilers not being serviced and increasing evidence of tampering with the energy supply to avoid further debt by circumventing meters. Not only is the latter dangerous but it also results in the supplier cutting off

¹³ The [Priority Services Register](#) is a free support service to help people in vulnerable situations. Energy suppliers and network operators offer it. Each keeps their own register.

¹⁴ A [review](#) by Changeworks in 2021, noted that codes are the main way of sharing vulnerability data between companies.

the supply. [The original tampering is not necessarily carried out by the current tenants but supplier action appears to be based on the presumption that the current householder is guilty]. Supplier action does not necessarily include an assessment of the detriment that can be caused through supply isolation and how it is resolved. Loss of supply can lead to acute hardship with people left without lighting and heating for, in some cases, many weeks, unclear who to turn to and unable to readily get the supply reinstated. Communication can easily breakdown – particularly where different electricity and gas suppliers are involved. A more proactive approach, including more vulnerable people on Priority Services Registers, might help avoid these health & safety issues which can lead to disconnection. (Inclusion on Priority Services Registers, triggers greater access to free gas safety checks, priority assistance and Warm Home Discount assessments for those identified as vulnerable).

III. Energy supply companies should manage the sharing of customer credit records for consumers that fall into debt this winter in the overall context of the customer's credit record and with sensitivity to the exceptional circumstances of the energy crisis

With the projected fuel poverty figures, it is inevitable that debt levels will rise. The Panel has heard concerns that even those who would never previously have been vulnerable to having a poor credit record may now face this. A poor credit history not only makes borrowing in the future expensive - but also means paying a credit poverty premium¹⁵ for goods and services. The scale of the current crisis will make a whole new demographic vulnerable to the credit poverty premium jeopardising both their current and future financial wellbeing.

Energy companies should review whether their policies on passing on missed payments to credit agencies are fair in the current environment, particularly for those with a good payment history failing to make payments for the first time. Changing their reporting policies, to take account of this, would help protect people's future access to: bank accounts; rental agreements; mortgages etc. At the same time, energy companies could use their influence with credit agencies to view the current financial environment as unprecedented and not harm people's future credit ratings on the basis of a period of exceptional and temporary hardship.

IV. Energy supply companies should provide targeted information on the efficient use of heating systems to their customers – if they have not already done so

The Panel has heard from energy advice services, that it is very common to find that people do not use their heating systems in the optimum way for energy consumption efficiency.

Energy supply, and the pattern of customer use, mean that energy companies know what principal method of heating their customers use. Suppliers should be encouraged to analyse their customer data to ensure that households are provided with simple information about how to best utilise their heating system, and where

¹⁵ [The-poverty-premium-A-Customer-Perspective-Report.pdf \(fairbydesign.com\)](#) 2022

relevant, their electricity tariff. This is particularly important for those with legacy multi-rate electricity tariffs.

Recommendation 4 – review the design of energy advice services, including the funding model for advice services, to inform funding and policy decisions in 2023/24.

There is a question of whether the current model for advisory service provision is as effective as it could be and immediate intervention is needed.

As recognised in recommendation 1, the tendency for multiple funding pots and short-term funding means that organisations spend a disproportionate amount of time securing grants and income. The provision of consistent, long-term, and more, funding for third sector advisory services would be transformative. It would:

- streamline access to funding
- facilitate long-term planning
- enable responsive advisory services so that in rapidly changing situations, like the current crisis caused by volatility in the energy market, services could evolve quickly to address need
- support staff retention
- support the integration of mental health awareness and suicide training for advice staff
- increase the availability of health and wellbeing support and counselling services for advisory staff.

The Panel would also note the benefit of face-to-face energy advice services in homes and communities as well as the benefit of community-organisation collaborations e.g. partnerships between food banks, food waste reduction schemes, soup kitchens for the elderly and energy advice. The efficacy of local champions (energy advice) and in-person advice has been a recurrent theme in promoting energy efficiency measures.

There are multiple ways in which advice services can be accessed – online, telephone hubs or face to face – but it is unclear how these services fit together and whether front facing services are accessible to everyone, for example, whether there are appropriate referral pathways for local care and support agencies. There is often a fragmented approach, for example, some local authority departments, such as housing and social services might typically use a referral pathway but other departments are often not aware that these exist.¹⁶ There is also a question of what skill sets and training are required across advice agencies to match different service delivery routes. These issues and their impact should be explored in reviewing the current funding model for advisory services. Data obtained through the Scottish Government “cost of living” website,¹⁷ launched at the end of September, to help people understand the significant range of support that they may be able to access,

¹⁶ East Ayrshire Council has a cohesive approach through their Financial Inclusion Pathway (referral pathway) and [EA Money](#), gives information on local services offering advice and information on benefit and money issues.

¹⁷ [Cost of living crisis - Cost of Living Support Scotland \(campaign.gov.scot\)](#)

may make a useful contribution to a funding model for a review of advice services. Consumer Scotland would have a useful contribution to make too.

The Panel suggest that the scope of a Scottish Government review of the design of energy advice services, including the funding model for these, should focus on:

- funding levels required and for how long to achieve effective service delivery
- optimum balance of local and national advice services
- staffing and skill issues
- creating flexibility, in a dynamic and unpredictable environment.

2. PROTECT THOSE SUFFERING FUEL POVERTY, AND THOSE AT RISK OF ENTERING FUEL POVERTY, FROM ITS LONG-TERM EFFECTS

There is consensus across governments, the business and third sector, that the unprecedented energy costs are causing a national crisis. Systems and processes designed for a “different” world do not work in the current one.

The Scottish Government, in its 2022-23 Programme for Government¹⁸ has, or has committed to, taking several steps in immediate response to the energy crisis: doubling the Fuel Insecurity Fund to £20 million in 2022-23 to support vulnerable households who are self-rationing or at risk of self-disconnection, and confirming that both the Scottish Child Payment will increase to £25 per week per eligible child and that the Winter Heating Payment, providing a £50 annual payment to around 400,000 low income households, will be introduced before the end of the year.

Immediate action

Recommendation 5 – adopt the Fuel Insecurity Fund model in the design of future funds to support the vulnerable

The Scottish Government’s commitment to doubling the Fuel Insecurity Fund is very welcome. The panel recognises this as a simple, responsive and well-established fund enabling those with acute and immediate needs to benefit quickly from assistance as the weather gets colder. It has heard that this is a measure worth maintaining, and replicating the format of, in the design of future funds.

Recommendation 6 – adopt the Warm Homes Prescription model as a policy initiative

There are opportunities, too, for more joined up initiatives across the health, education, welfare and advice sectors to benefit those in fuel poverty by using existing mechanisms. The Warm Homes Prescription model is an example of this. The model seeks to tackle cold-related diseases and increase household warmth in tandem and follows two main modes of operation. First, General Practitioners and other medical professionals fast-track referrals to energy advice services, organisations or councils with the capacity to support energy efficiency measures. Qualifying residence will receive home visits and where relevant, interventions, including debt advice, temporary heating, property insulation and energy systems upgrades. Alternatively, the incidence of cold-related disease can be used as an eligibility criterion for accessing targeted support directly. In both cases, there are health benefits from increased home efficiency, with the potential for reductions in fuel bills through reduced fuel use. If existing referral mechanisms are used this could be implemented ahead of the coldest weather conditions this winter.

¹⁸ [A Stronger & More Resilient Scotland: The Programme for Government 2022-23 \(www.gov.scot\)](https://www.gov.scot/publications/programme-for-government-2022-23/pages/100-109.aspx)

Medium term action

Recommendation 7 – increase the policy ambition and funding for energy efficiency in homes and introduce stricter standards for new build properties

Future security from fuel poverty lies in having an energy efficient housing stock. [One of the four drivers of fuel poverty is **poor energy efficiency of the home**]. There is homogeneity between net zero, and poverty and inequality (including health and wellbeing) policies, and the reduction of fuel poverty. Energy efficient housing, enabling every household to live in a warm home they can afford to heat, is part of Scotland's Housing to 2040 vision and plan.¹⁹ There is a danger that in the very necessary response to the current crisis, and through addressing immediate need, the objective of releasing current, and future generations, from the debt cycle associated with fuel poverty is obscured. Namely, debt becomes unmanageable; governments need to fund writing off these debts or intervene in the market to cap prices; energy prices remain, or become, unmanageable, and debt rises above the means of those suffering fuel poverty to clear it, allowing the cycle to begin again. In this context, it is essential not to lose sight of the potential to allocate short term funding to energy efficiency for long-term gains.

The Panel has heard from Housing Associations about some of the particular challenges in rural Scotland of increasing the energy efficiency of existing housing stock and developing new housing. The supply chain and skills' shortages – a current feature of the national landscape – are amplified for rural communities. Support is needed to develop their supply chain and skills capacity for the long-term.

Again, in the context of rural Scotland, the Panel has heard that the current funding structures do not necessarily recognise local conditions where, for example, the housing condition and off-grid heating systems, dictate a different response. A more place-based model of funding would free up Housing Associations to direct and manage energy efficiency measures more effectively.

The Panel recommends that the Scottish Government increases ambition and funding to consider whether more can be done to accelerate the current efforts around creating a more energy efficient housing stock. This includes increasing both the efficiency of existing housing stock and reviewing whether energy standards for new build properties are rigorous enough – particularly in the private sector. In the medium-term, this will necessitate a review of the budget level needed to sustain and potentially upscale the Warm Homes Programme. The Panel has also heard evidence that the mechanisms by which the funding is accessed could be significantly simplified. The Panel has heard concerns about the private rental sector's ability and, at times, willingness, to address household energy efficiency. Considering in particular the private rental sector, is there more which could be done to incentivise energy efficiency measures – possibly, extending measures introduced through the EPC ratings?²⁰ The Panel's view is that further thought and analysis is required here to reflect and embed the cost of living impacts on existing policy objectives.

¹⁹ [Housing to 2040 \(www.gov.scot\)](http://www.gov.scot), March 2021.

²⁰ [The Energy Efficiency \(Private Rented Property\) \(Scotland\) regulations 2020: BRIA - gov.scot \(www.gov.scot\)](http://www.gov.scot)

Recommendation 8 – fund research into definitions and modelling of advanced heating requirements

Calculations for fuel poverty capture the ability to pay by exposing the relationship between income and the amount which needs to be spent to heat the home to an acceptable standard. The disparate drivers of fuel poverty make it difficult to calculate. Whereas the fuel poverty projections provide a national picture of the numbers of households in fuel poverty, what they do not tell us are the likely number of households who do not heat enough for their needs because of self-rationing or disconnection. The Panel has repeatedly heard examples of increased incidences of energy rationing and so it is essential that fuel poverty policies target these households.

The Panel recommends that the funding of initiatives to define and model the distribution of households with advanced heating requirements, who are unable to meet them, should be strongly supported. Households with advanced heating requirements are those which have higher than average heating needs (e.g. due to chronic ill health²¹) and would benefit from priority help with energy efficiency measures. Such an approach would help to capture households who significantly ration their energy consumption, and therefore increase the transparency of these households within standard fuel poverty metrics.

²¹ For example, where there may be a dependence on medical equipment such as electricity-powered dialysis machines and mobility aids, like stair lifts or bath hoists.

3. CONTINUE TO ADVOCATE FOR GOVERNMENT FUNDING TO MITIGATE THE ESCALATING DISPARITY BETWEEN INCOMES AND ENERGY PRICES

Immediate action

Recommendation 9 – the Scottish Government should use available devolved powers and continue to urge²² rapid action from the UK Government to close the gap between incomes and rising energy costs underpinned by the principle of “equity” for all.

9.1 Press the UK Government to use its fiscal and policy levers to stress the need for resources to support the fuel poor – recognising the particular challenges faced by those off-grid by:

- using government levers to lessen energy bills for all consumers. A £2,500 price cap may have prevented 150,000 households from becoming fuel poor (compared with the planned price cap of £3,549) but the Scottish Government is still projecting that 860,000 households (35% of all households) in Scotland will be in fuel poverty from this month
- encouraging a culture where support is provided in a fairer way, to reflect the higher-than-average costs of energy, of keeping warm, across Scotland compared to the GB average
- providing grants and loans to vulnerable consumers through targeted support and increased funding.

There is a complex interplay between the energy market; energy price controls; income and financial support. The fiscal and policy levers across these are wide-ranging and are inextricably linked with the four drivers of fuel poverty (1. Poor energy efficiency of the home; 2. High energy costs; 3. Low household income; 4. How energy is used in the home). For example,

- energy market – commodity costs drive retail energy costs
- energy price control mechanisms (e.g. price caps, discounts, tax and levies) impact income and, to some extent, dictate the extent of governments’ financial support schemes
- income (e.g. minimum/living wage, pensions, public sector pay, Universal Credit, other benefits) – affect the affordability of energy bills
- financial support e.g. heating and fuel allowances and energy efficiency grants) affect incomes and therefore the affordability of energy bills.

Further Energy cost reduction measures, benefitting the whole population, could be achieved in a number of well-versed ways. For example:

- reducing bills directly through VAT reduction on energy bills
- raising funds to reduce bills by a windfall tax on energy company profits.

²² As it has done recently, alongside the other devolved nations – [Call for targeted action on soaring energy bills - gov.scot \(www.gov.scot\)](https://www.gov.scot/call-for-targeted-action-on-soaring-energy-bills)

However, the Panel supports a **justice first approach** to government funding measures: addressing the need where it is greatest to achieve good outcomes for all. Targeting support for the most vulnerable could be achieved through providing further grants and loan support to vulnerable consumers, including through mechanisms such as fuel vouchers and the development of a social energy tariff. This support needs to be “technology neutral”, with equal provision across all energy types, including biomass, oil, gas and electricity. It should also take into account both geographical and socio-demographic disadvantage, including recognition of marginalised rural and island communities and single meter properties.

The Chancellor’s announcement that the Energy Price Guarantee will now be reviewed by April 2023, with a view to reducing costs to the government rather than lasting for two years as originally announced, is a cause of concern. The Scottish Government should urge the UK Government to ensure that any change to the guarantee results in meaningful and equitable support for the financially vulnerable, including those who could enter fuel poverty through a diminution of the Energy Price Guarantee benefits, as well as those already in fuel poverty.

9.2 Ensure that, within the constraints of reserved energy policy, devolved policy and fiscal levers are being deployed to best effect

The recommendations set out above point to a number of areas suggesting where the Scottish Government could act, within its powers, to deploy policy and fiscal levers to mitigate the effects of fuel poverty. The Panel will be reviewing the Fuel Poverty Strategy and its delivery in 2023 (as noted below - see recommendation 11). However, given the urgency of this humanitarian crisis, the Scottish Government should continue to react dynamically to the changing landscape. (Examples of where it has already been doing this, include: the First Minister’s engagement with the energy sector [the energy summits]; increased funding commitments [Fuel Insecurity Fund/commitment to increase the Scottish Child Payment] and launch of the Cost of Living website). One approach the Scottish Government might consider is a rapid internal review of whether current cross-policy objectives and delivery could be more closely aligned to improve fuel poverty mitigation measures.

Recommendation 10 – the Scottish Government should urge the UK Government to reform the energy market – including the taxation and pricing models

There is widespread recognition that the energy market, and therefore the energy system, is not working²³ and that, geo-political factors aside, there is more that can be done across the UK to reduce exposure to volatility in global energy supply and prices. For example:

- commodity costs could be transferred from energy bills to general taxation along with a review of how social and environmental measures are funded
- gas and electricity pricing could be de-coupled which would mitigate against some of the volatility in their disparate markets.

²³ [Cornwall Insight comments on the announcement of the October price cap \(cornwall-insight.com\)](https://www.cornwall-insight.com/).

The Scottish Government has the opportunity to signal its commitment to energy market reform by strong and proactive engagement with BEIS on the outcome of the UK Government Review of Electricity Market Arrangements Consultation²⁴ (its objective is to determine what reform is needed in 2023) which closed on 10 October 2022. Changes to the electricity market offer a huge opportunity to re-design the electricity system, fundamentally changing how the price of electricity is set and passing on the savings of renewable electricity generation to consumers. This could be game changing in reducing both current and future fuel poverty levels.

The Panel has heard, from its engagement with people with lived experience of fuel poverty, as well as energy advice agencies, that people in Scotland struggle to understand why electricity prices are so high when the equivalent of 95% of Scotland's electricity consumption is from renewable sources. Although electricity pricing is obviously determined by market rules (and energy market policy is reserved), it is very difficult for those in fuel poverty, especially for those living rurally and often off-grid, where renewable energy production is concentrated, to understand how they have such unaffordable electricity bills. Engagement on the review of market structures needs to include this perceived inequity of the unit costs of Scottish renewable energy being pegged to gas-generated electricity. Given the significant proportion of UK renewable energy that Scotland generates reflecting the current reality of Scotland's contribution is important.

Over and above this, the Scottish Government should urge the UK Government to:

- seek to collaborate more closely. The Panel has heard how silo working across departments, e.g. those related to energy and health, can lead to lost opportunities because wider engagement and thinking was not prioritised
- increase transparency and accountability in the relationship between UK and devolved energy issues to prevent dissipating responsibility, including around initiatives such as the Energy Company Obligation²⁵
- consider the efficacy of introducing a social tariff. The Scottish Government could influence the shape of a future social tariff by proposing a social tariff model to the UK Government and advocating for it as a medium term development in the energy markets. Several approaches could be taken to deploying a social tariff, for example, linking it to Warm Home Discount scheme eligibility criteria
- push for change to distribution charge models. (Even with some socialisation of costs, network charges represent another addition to the poverty premium which those who are fuel poor, and living in Northern Scotland, pay).

²⁴ [Review of electricity market arrangements - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/electricity-market-arrangements)

²⁵ [Energy Company Obligation \(ECO\) | Ofgem](https://www.ofgem.gov.uk/energy-companies/energy-company-obligation)

4. MONITOR AND EVALUATE THE FUEL POVERTY STRATEGY

Immediate action

Recommendation 11 – The Scottish Government should develop a monitoring and evaluation framework for the Fuel Poverty strategy and undertake renewed estimates of levels of fuel poverty

In its Report on inquiry into energy price rises,²⁶ the Scottish Parliament’s Net Zero, Energy and Transport Committee, note that accelerating “medium and long-term plans and strategies [which] will not only reduce future exposure to volatile energy prices but may also help meet net zero targets”.

The Panel is tasked with reviewing the Fuel Poverty Strategy with a view to suggesting amendments and bringing about a stronger focus on delivery. The Panel commits to undertaking this review in 2023, with attention to the impacts of the energy crisis.

In reviewing the Fuel Poverty Strategy, the Panel will, consider:

- how fuel poverty and net zero strategies interrelate and connect, for example, in the regulated housing sector and rural housing. Exploring possibilities such as linking rents to energy efficiency.

In advance of this review, the Panel recommends that the Scottish Government:

- develops a monitoring and evaluation framework for the strategy
- publishes a detailed analysis of the estimated levels of fuel poverty, taking into account all announcements on energy costs, cost of living interventions and income support. This analysis needs to be based on a regional assessment of energy costs rather than UK average costs recognising particularly the challenges faced in remote and rural communities.

²⁶ [Report on inquiry into energy price rise](#)