

Consultation Response

Response to Ofgem's call for evidence on the energy supply markets.

April 2008

Help the Aged wants a world where older people are free from the disadvantages of poverty, neglect and isolation, so they can live with dignity as valued, respected and involved members of society

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Fighting to free disadvantaged older people in the UK and overseas from poverty, isolation and neglect

1. Introduction

Help the Aged welcomes the opportunity to comment on Ofgem's call for evidence on the energy supply markets.

Help the Aged is a charity fighting to free disadvantaged older people in the UK and overseas from poverty, isolation, neglect and ageism. It campaigns to raise public awareness of the issues affecting older people and to bring about policy change. One of our key campaigning priorities is to alleviate pensioner poverty, including fuel poverty. We are hence well placed to comment on older people's experience of the energy markets.

2. Main findings regarding older people's experience of the energy markets:

Help the Aged has published a number of research reports analysing fuel poverty in more detail.¹ However in summary our findings are:

An estimated one in six older households, or more than 2 million pensioner households, are living in fuel poverty. Older people not only face a greater incidence of fuel poverty than younger households, but are also at a greater risk of falling to fuel poverty as energy prices rise. With energy prices now increasing, and prices standing at 50 per cent in real terms above their 2003 levels, there is real cause for concern.

Pensioner households in fuel poverty are not likely to switch suppliers on their own initiative or even when provided with intensive, bespoke advice:

- In 2006, in face-to-face interviews around the country, the Priority Consumer Team identified many older consumers on basic state pensions who could not afford to heat and power their homes, but were reluctant to switch energy supplier. Some of these consumers were paying too much for their energy and a number had a very low-awareness of the energy market. It was also apparent that older people mistrusted supplier information and were left confused by pricing information.
- Internet websites are an unreliable way of providing older people within information on switching energy suppliers, as 7 in 10 older people are not on the internet.
- Figures from the Energywatch '*Are You Missing Out?*' campaign show that even with intensive, bespoke advice and the availability of energywatch support, only around 1 in 6 vulnerable consumers (primarily low-income elderly consumers) switched supplier. Although this ratio appears to increase as the savings on offer become greater, half of those who could have realised a saving in excess of £450 still chose not to even attempt switching supplier.

¹Adams, Sue and White, Kevin (2006), *Older people, decent homes and fuel poverty: an analysis based on the English house conditions survey*, published by Help the Aged. As well as Wright, Fay (2004), *Older and colder: the views of older people experiencing difficulties keeping warm in winter* published by Help the Aged. The latter can be found on http://policy.helptheaged.org.uk/NR/rdonlyres/eflh7g6fqc2zlig3cxgv5bd7iwnvonbachdujhobw6tsw72e6tmirl5hi44xwyx5bgvnomnuiddrsp6yqmbgld7236e/older_and_colder.pdf

Energy providers' social schemes have limited impact on older people:

- There is no guarantee that social schemes provide the lowest possible price plan.
- There are price variances between energy companies, putting the burden on recipients to shop around for the best deal.
- As a result, many people have been found to be on social schemes that are costing them more than necessary.

More information about the limited impact of social schemes can be found in the Fuel Poverty Advisory Group's latest annual report published in March 2008 ²

Help the Aged is convinced that programmes aimed at convincing older people to switch providers have limited value for those in fuel poverty, and social schemes of energy providers alone can not stop fuel poverty.

However we believed a more comprehensive range of programmes, pursued with vigour and coordination across Government and the energy sector could solve this problem – as outlined in section 3.

3. Suggested strategy for tackling market failings for older people:

We urge Ofgem to recognise that attempts to make markets work for older people in fuel poverty have failed, and that other strategies need to be deployed to tackle fuel poverty.

The Government has clear targets to end fuel poverty: the Warm Homes and Energy Conservation Act 2000 and the Government's Fuel Poverty Strategy require the Government to end the blight of fuel poverty for vulnerable people, including older people³ by 2010, and to end fuel poverty for everyone by 2016. But the Government's own figures and a report from its official advisory group on fuel poverty predict that the 2010 target will be missed by a large margin and that the 2016 target is becoming increasingly difficult to achieve.

Without a central, dynamic and sustainable strategy from Government which connects affordable energy with a network of energy efficiency measures and income maximisation initiatives, fuel poverty levels will continue to rise.

We ask Ofgem to back the Help the Aged calls for government intervention and implementation of the following specific policy recommendations:

- set up a mechanism for accurately identifying all those households suffering from fuel poverty, making use of data held by different government departments such as the pension service;
- recognise the limited impact that market strategies around switching and social tariffs will have in effectively tackling fuel poverty amongst older people;

² <http://www.berr.gov.uk/files/file45365.pdf>

³ Vulnerable households include households containing old people, children and those with disabilities. Those households are particularly vulnerable to the effects of fuel poverty for a range of health and social reasons.

- employ energy efficiency strategies to effectively tackle fuel poverty amongst older people;⁴
- recognise that ensuring high levels of energy efficiency provides the key long-term solution to ending fuel poverty;⁵
- set a minimum standard of energy efficiency for all households being treated for fuel poverty;
- set up low-carbon home zones in every local authority in the UK in areas where fuel poverty is concentrated. The fuel-poor households in these zones should be treated street by street, house by house to the requisite energy efficiency standard.

⁴ The case for these strategies is argued in the sixth annual report of the fuel poverty advisory group, published in March 2008. <http://www.berr.gov.uk/files/file45365.pdf>

⁵ Friends of the Earth and Help the Aged have filed a judicial review application with the high court to challenge the government for not doing enough to meet its legal obligation to eradicate fuel poverty. The two charities are campaigning for the Government to develop a far more effective and comprehensive programme of domestic energy efficiency, to simultaneously end suffering from fuel poverty and tackle climate change.