

Equality and Social Justice Committee
Consultation: Fuel Poverty in Wales
From: National Energy Action (NEA) Cymru

1. Executive Summary

- 1.1 National Energy Action (NEA) Cymru welcomes the Committee's follow-up inquiry into fuel poverty and the Warm Homes Programme.
- 1.2 Fuel poverty remains a deep, enduring issue across Wales, estimated to impact virtually all of our low-income households.
- 1.3 Energy prices remain significantly higher than pre-crisis levels. As we head into winter, low-income and vulnerable households of all ages in Wales face higher energy bills, record levels of energy debt, and less support than last winter.
- 1.4 'Part One' of the latest iteration of the Welsh Government's Warm Homes Programme – its flagship programme to tackle fuel poverty – launched on 1 April 2024. National Energy Action welcomes the steps taken by the Welsh Government to provide deeper retrofit for those least able to pay and, more generally, has fully supported a 'worst first', 'fabric first' and 'low carbon first' approach.
- 1.5 However, National Energy Action understands that within the first six months of operation, some *eligible* households are currently being turned away for measures if their home is not yet viable or appropriate for a heat pump. This is very concerning and in sharp contrast to how we and other key stakeholders understood the scheme was intended to operate. It risks leaving eligible, low-income households, living in the least efficient homes, with no working heating or hot water. National Energy Action strongly recommends this issue is resolved as a matter of urgency.
- 1.6 We also highlight the ongoing need to:
- significantly scale up investment in the Warm Homes Programme;
 - incorporate an area-based approach with its own distinct pot of funding;
 - introduce energy efficiency-based interim targets, if we are to have a plan that meets the scale of the challenge.
- 1.7 It is also critical, of course, that Wales maximises the funding available from GB-wide schemes such as ECO4 and that all local authorities across Wales access and utilise ECO Flex funding and are adequately resourced to do so.
- 1.8 The context around fuel poverty has changed dramatically and significantly in the past few years and National Energy Action welcomes the Welsh Government's efforts to engage the UK Government and Ofgem on related issues that sit within their control. Energy is an essential service and there is an urgent need for the UK Government and Ofgem to introduce deeper, targeted and enduring price protection; address crushing levels of energy debt; and support those who need it most.
- 1.9 The next decade must prioritise the delivery of enduring solutions to fuel poverty, including by substantially increasing investment to improve the energy efficiency of fuel poor homes and help ensure a fair and affordable transition to net zero.
- 1.10 Few things are more essential than having access to heat and power.

2. Introduction

- 2.1 National Energy Action (NEA) is the national fuel poverty and energy efficiency charity. We've worked across England, Wales, and Northern Ireland for over 40 years, to ensure that everyone in the UK can afford to live in a warm, safe and healthy home. We work together with frontline practitioners, companies, regulators and governments for customers in vulnerable circumstances to make positive changes. We welcome this opportunity to help inform the Committee's follow-up inquiry into fuel poverty in Wales and the Warm Homes Programme.
- 2.2 The context around fuel poverty has changed dramatically and significantly in the past few years. As a result of the energy crisis, the number of fuel poor households in Wales has sharply increased. In 2018, 12% of all households in Wales were estimated to be living in fuel poverty. This increased to 14% in October 2021 and to up to 45% (614,000) of all households by April 2022, when the energy price cap rose to £2,000 a year for an average, dual-fuel household in GB. Of these, 8% (115,000) were living in severe fuel poverty. It was estimated that 98% (217,700) of all lower-income households live in fuel poverty, over four in 10 of whom were estimated to be in deep, severe fuel poverty¹.
- 2.3 It is evident that the personal impacts of ongoing high prices, high debt levels and a lack of support on households in Wales are exceptionally acute. With deficit budgets and nothing left to ration, the poorest households living in the least efficient homes continue to face desperate conditions. The severity of the situation has prompted the energy crisis and its impacts to be one of the most prominent public policy challenges facing Wales and the UK in recent history.
- 2.4 The next decade needs to be a decade of delivery. There is an ongoing and urgent need to focus on enduring long-term solutions. This means upgrading the energy efficiency of fuel poor homes and decarbonising heat, as well as introducing deeper price protection, to deliver a fair, affordable and just transition for current and future generations.

3. Whether there is an accurate picture of fuel poverty in Wales today, given that data is based on the 2008 Living in Wales Survey and 2017-18 Welsh Housing Conditions Survey

- 3.1 Although the peak of high energy prices has passed, the estimates outlined above remain worryingly relevant as average energy costs remain close to what they were in April 2022, and significantly higher than pre-crisis levels. On 1 October 2024, energy prices rose to £1,717 per year for an average dual-fuel bill by direct debit. However, there are regional variations in prices and the rates paid in Wales are persistently higher – south Wales (£1,753 per year) and north Wales (£1,764 per year) are routinely in the top three most expensive regions across GB².
- 3.2 It is vital that the Welsh Government publishes biennial fuel poverty estimates for Wales. Unfortunately, the Welsh Government's estimates continue to be modelled using the Welsh Housing Conditions Survey 2017-18, notably conducted long before the energy and cost-of-living crisis. The survey is intended to be conducted every five years but is now approaching eight years old and three years overdue. An updated survey, together with biennial fuel poverty estimates for Wales, are necessary to provide an accurate picture of the situation in Wales both at a national and local level. It is impossible to evaluate progress towards Welsh Government's 2035 objectives without regular and reliable updates³.
- 3.3 A recent nationally representative survey by National Energy Action Cymru and YouGov found that half (51%) of adults in Wales are likely to ration their energy use this winter (compared with 46% in GB). This may lead them to use less energy than they should to maintain their comfort and wellbeing, to the detriment of their health.

3.4 The survey also found that even in the last three months, when energy usage is typically lower, householders were making significant cutbacks:

- 48% have turned off more lights than they wanted to (same as GB);
- 27% have had cold meals rather than using the oven (compared with 23% in GB);
- 42% have reduced their use of baths or showers (40% in GB);
- 29% haven't run the washing machine when they needed to (25% in GB);
- 4% have reduced the use of essential medical equipment (same as GB).

This presents a very worrying picture for the winter ahead⁴.

3.5 Total energy debt has also reached £3.7bn across GB, three-quarters of which is estimated to be arrears (i.e. money owed on domestic gas and electricity accounts that is not yet on a repayment plan)⁵. This indicates that energy debt is only likely to continue to grow and the situation get worse. Further, the average amount a household in arrears owes to their energy supplier is reportedly £2,875 – considerably more than a year's worth of supply even at today's very high prices. Money that many can ill afford to repay.

3.6 In addition to this, recent data shared by Ofgem with the Welsh Government and its Fuel Poverty Advisory Panel indicates that the consequences of this debt are being felt acutely in Wales. We refer further to this in Section 4 of this response.

3.7 Struggling households are in the third year of an energy crisis. Even before the crisis, our clients had no slack in their budgets. Three years on, they are mired in record levels of energy debt and severely rationing their energy. The gap in support for vulnerable households who are not on means-tested benefits has also grown.

4. The potential impact of changes to the eligibility criteria for the Winter Fuel Payment on fuel poverty in Wales

4.1 The UK Government's recent decision to limit the Winter Fuel Payment to pensioners receiving Pension Credit has raised wide concerns about the impact on older people's ability to keep warm and well at home, leaving many pensioners in need without support this winter.

4.2 The Winter Fuel Payment was previously paid to almost all pensioner households, at a rate of £200 per household and £300 for people aged over 80.

4.3 For winter 2024-25, only people receiving Pension Credit will be eligible for the Winter Fuel Payment. These changes to eligibility mean many low-income pensioners whose incomes are marginally above the Pension Credit threshold will now miss out, as will those eligible for Pension Credit but who do not claim it⁶. It is estimated that up to 400,000 pensioners in Wales in total may now miss out on this support⁷ (including c. 50,000 pensioners who are reportedly eligible for Pension Credit but do not claim it)⁸.

4.4 Older people can have higher energy needs because they often spend more time at home, may be less physically active, and/or have health conditions that are exacerbated by the cold. As the Cabinet Secretary for Social Justice, Trefnydd and Chief Whip stated in response to a Written Question on 9 August 2024, *"The decision that the Winter Fuel Payment will no longer be universal risks pushing some pensioners into fuel poverty"*⁹.

4.5 Beyond the Winter Fuel Payment, the only energy support available to working age households is the Warm Home Discount (WHD). This has risen by just £10 over a decade in which energy prices have doubled.

4.6 Put simply, low-income and vulnerable households of all ages in Wales are heading into winter facing higher energy bills, record levels of energy debt and less support than the last.

5. The detail of the new Warm Homes Programme, including the energy efficiency measures offered, changes to eligibility criteria, the approach to delivering advice services, and the development of an area-based approach

5.1 Poor energy efficiency is a key driver of fuel poverty, leaving many households in inefficient homes more exposed to high energy prices. As the driver that sits most squarely within its devolved powers, the Welsh Government states that it is its long-term ambition “to improve the energy efficiency of Welsh homes, ensuring we use only the energy we need, to keep homes comfortably warm at an affordable cost”, as outlined in its Policy Statement published on 15 June 2023¹⁰.

5.2 The new Warm Homes Programme is the Welsh Government’s “primary mechanism to tackle fuel poverty” and will “also contribute towards achieving a net zero Wales”. The new Nest scheme is ‘Part One’ of the Programme and launched in April 2024, albeit a year later than intended. The scheme aims to provide deeper retrofit through a “fabric, worst and low carbon first approach, delivering measures to improve the energy efficiency of the least thermally efficient low-income households in Wales”¹¹.

5.3 National Energy Action has consistently championed and supported the Warm Homes Programme and has supported the new scheme’s policy development and implementation. As such, we were very pleased to see the Programme adopt a greater focus on deeper retrofit, including insulation and low carbon technologies where appropriate, for those most in need.

5.4 However, based on evidence received from numerous stakeholders across Wales – including via the Fuel Poverty Coalition Cymru, our regional Wales Fuel Poverty Forums, and a workshop led at Care & Repair Cymru’s recent annual conference – National Energy Action is very concerned that there is an early, significant issue within the new Nest scheme which requires urgent resolution, currently leaving some eligible households without heating or hot water. We hope this inquiry can shine a light on this urgent deficiency within the new scheme, ultimately to ensure that no eligible household is left in the cold. These are households who are all, invariably, living on the lowest incomes in the least efficient housing across Wales and much of our response in this section focuses on this (under ‘Measures’).

5.5 There are also several other matters worth raising, and we group all of this under key themes, namely: Eligibility, Measures, Part Two and an area-based approach, and Monitoring and evaluation.

Eligibility

5.6 National Energy Action welcomes the expanded Nest eligibility criteria to target the ‘worst first’ – i.e. those living on the lowest incomes, in the least efficient homes.

5.7 Households are now eligible for Nest if they: own or privately rent their home; are on a low-income (less than 60% of median equivalised net household income) or means-tested benefits; and have an EPC rating of E or less; or an EPC rating of D or less if a householder has an eligible health condition¹².

5.8 We are pleased to see eligibility extended beyond the hard-edge of means-tested benefits, as well as to include those suffering with health conditions exacerbated by the cold. As recommended, welcome steps have also been taken to ringfence disability benefits from household income calculations.

Measures

5.9 The previous scheme fell short of its original intended ‘whole-house’ approach and increasingly became a boiler-replacement scheme¹³. National Energy Action advised thereafter the need for the new iteration to take a ‘fabric-first’ approach to guarantee meaningful energy efficiency upgrades and provide a permanent solution to lower bills – an approach that was recognised by the Welsh Government in its

Policy Statement¹⁴.

- 5.10 In the Programme's tender document, a wide range of measures were confirmed to be part of the new scheme. This includes loft insulation; cavity wall insulation; solid wall insulation; heating repairs (including boiler repairs, or boiler replacements in exceptional circumstances); heat pumps and hot water systems; heating controls; central heating systems; ventilation improvements; solar PV and batteries; and windows and doors (where not doing so would significantly and adversely affect the benefit of other newly installed measures).
- 5.11 To enable a 'whole-house' approach, the spend threshold per property has been substantially increased to enable the Nest scheme to provide significant fabric upgrades and heating measures as appropriate. National Energy Action welcomes this decision, as it enables the scheme to take a 'fabric first' approach (as necessary) and, unlike before, means it can address the distinct challenges faced in rural areas, with appropriate levels of funding that account for the more complex and costly measures required to address rural fuel poverty.
- 5.12 In addition to a 'worst' and 'fabric first' approach, the scheme also intends to take a 'low carbon first' approach, meaning that when it comes to heating measures, "low carbon technologies will be prioritised where it makes sense to do so"¹⁵.
- 5.13 In instances where transitioning to a lower carbon heating source such as an air source heat pump (ASHP) is not currently viable – for example because it is not yet possible for it to be installed (e.g. no suitable space/within boundary, a listed building, and the like) or because the running costs to the household would be excessive (risking pushing them deeper into fuel poverty) – then boiler repairs, or replacements in exceptional circumstances, were intended to be part of the scheme. As outlined in Welsh Government's Policy Statement, for example: "when moving from fossil fuels to an electric heating system that would cause a significant increase in running costs (due to complexities of the fabric improvement) the priority could be the repair of energy-efficient gas boilers".
- 5.14 However, it has come to National Energy Action's attention that within the first six months of the scheme's operation, some eligible households are currently being turned away for measures if their home is not yet viable for a heat pump. This is very concerning and in sharp contrast to how we and many other key stakeholders understood the scheme intended to operate. Several stakeholders have in fact commented that the Nest scheme has become a carbon reduction scheme, not a fuel poverty one.
- 5.15 At a meeting of the Fuel Poverty Advisory Panel on 6 September 2024, the Welsh Government made clear that it was aware of this issue, and that ASHPs are "not suitable for all properties in Wales" and that this is having an "impact on vulnerable households without heat and hot water". To try and address this, the Welsh Government proposed a 'Nest Crisis Boiler Repair/Replacement' route to enable eligible Nest applicants *who meet additional eligibility criteria* to access boiler repairs (or replacements in exceptional circumstances). Despite strong advice to the contrary from members, National Energy Action understands the Welsh Government has proceeded with an approach to trial boiler repairs for 2024-25, limiting boiler repairs exclusively to eligible households with occupants aged 75 years and over, or with children under two years old, or with occupants with a relevant health condition, or terminal illnesses¹⁶.
- 5.16 Concerningly, this approach represents a significant narrowing of eligibility for this measure under the scheme (contradicting the original Policy Statement) and risks leaving many eligible Nest applicants *without* heating or hot water. Households who are all, invariably, living on the lowest incomes in the least efficient housing across Wales, and evidently in crisis irrespective of age or health. As such, National Energy Action does not feel able to support this decision and believes this avoidable outcome would potentially be a bigger concern than the previous scheme's shortcomings when many eligible households were not able to access the full range of energy saving measures they and their homes needed. Further, no reference in the Welsh Government's trial is made to the provision of boiler replacements, and not all broken boilers can be fixed.

5.17 We, alongside other members of the Fuel Poverty Advisory Panel and Fuel Poverty Coalition Cymru, are also concerned that it appears there isn't any significant promotion planned of the new boiler repair scheme.

5.18 Our view is that when an eligible Nest applicant applies to the scheme, the following should take place:

(a) The scheme insulates their home as appropriate;

and

(b) *If they have working heating/hot water:* assesses whether it is viable now to switch to low-carbon heating or wait until it is appropriate to do so in the future, conscious that through fabric improvements it has otherwise made the home low-carbon heat/ heat pump ready in the meantime;

or

If they do not have working heating/hot water: either installs low-carbon heating if it is viable/appropriate to do so now *or* repairs/replaces their existing fossil fuel heating system, having otherwise made the home low-carbon heat/heat pump ready (for when it is appropriate to do so in the future).

In this way, boiler repairs (or replacements in necessary circumstances) should be available to *all* eligible Nest applicants without working heating or hot water where low-carbon heating is not yet viable, irrespective of age and health¹⁷.

5.19 Enabling multiple/repeat applications to Nest (where still eligible), as the Welsh Government has now welcomingly done, means that this approach is possible. And, in line with Wales Net Zero 2035 Challenge Group advice¹⁸, means that:

- in the immediate term, where possible, heat pumps can be installed now where viable and not likely to increase costs, alongside fabric upgrades to deliver affordable warmth;
- in the near-medium term, as heat pump costs come down and confidence increases, more homes benefiting from the scheme will get heat pumps first time alongside fabric upgrades;
- beyond that, in the longer term, (a) upfront and running cost reductions will mean a majority of homes receiving fuel poverty support will routinely receive a heat pump as part of a package of retrofit measures and (b) homes which were made heat pump ready earlier in the lifetime of the Warm Homes Programme will now appropriately receive heat pumps when their boiler reaches end of life.

5.20 It is of course imperative that in all of this, recipients of Nest receive appropriate advice, support and aftercare relating to their new measures – not least to ensure they know how to run their new systems efficiently and to keep costs as low as possible.

5.21 Ultimately, if this approach to energy efficiency is taken, the Nest scheme would lift its beneficiaries out of fuel poverty, providing a permanent reduction in energy bills, year after year. It will make the homes of those in fuel poverty – whether persistent, severe, or otherwise – much warmer, greener, healthier places to live.

Part Two and an area-based approach

5.22 Only 'Part One' of the new Warm Homes Programme is currently operational. This is chiefly demand-led, and while welcome, is insufficient to tackle fuel poverty by itself.

- 5.23 In its Policy Statement of 15 June 2023, the Welsh Government stated that ‘Part Two’ will involve “the development of a whole housing stock approach to decarbonisation to provide a long-term strategy for energy efficiency, fuel poverty and decarbonisation for the sector”. No more is currently known about Part Two of the Programme, 16+ months on.
- 5.24 There has not been an area-based scheme funded by the Welsh Government since Arbed closed in 2021. There are several benefits to an area-based approach (as outlined and recommended in the Equality and Social Justice Committee’s previous inquiry into Fuel Poverty and the Warm Homes Programme in 2022). These include economies of scale, neighbourhood impact, as well as economic benefits¹⁹. This therefore represents a key gap in current provision.
- 5.25 National Energy Action has previously championed the merits of an area-based scheme targeting clusters of inefficient homes in deprived areas, running alongside a demand-led scheme. A former subsidiary CIC of National Energy Action, Warm Zones, were also the first to pilot an area-based approach in the UK and it worked very well until funding shifted to cherry-picking eligible properties and measures.
- 5.26 We understand and welcome that the Welsh Government is working with its delivery agents to deliver area-based ‘projects’ as part of the new Warm Homes Programme. However, it is crucial that a distinct pot of funding is made available for an area-based approach, separate from Nest, to avoid further constraints on the already under-funded demand-led scheme.
- 5.27 It is also key that an area-based approach still targets areas within Wales with the highest levels of fuel poverty. The Welsh Government’s local authority-level fuel poverty estimates for Wales date back to 2018 (due to the Welsh Housing Conditions Survey). At the time, 23% of households in Gwynedd and 21% of households in Ceredigion were estimated to be in fuel poverty, when the national average across Wales was 12%.²⁰ Areas such as these face several compounding issues that serve to make fuel poverty worse.

Monitoring and evaluation

- 5.28 The previous CCERA Committee’s inquiry into the Warm Homes Programme in 2020 highlighted serious concerns related to the lack of a robust monitoring and evaluation framework for the previous iteration of the Programme²¹, impeding the assessment of each schemes’ impact on fuel poverty. This is a crucial aspect given the Programme is the key delivery mechanism for tackling fuel poverty in Wales. Similar concerns were also reported by Audit Wales in 2021²².
- 5.29 The Welsh Government states that “robust monitoring and evaluation” has been implemented within the new Programme. As outlined in its Policy Statement, it states this will address several areas, namely:
- The impact measures have had on individual households in relation to bill savings
 - The impact the scheme has on fuel poverty
 - Carbon savings over the lifetime of the assets retrofitted
 - The contribution made towards wider community benefits, such as skills and the foundational economy.

While National Energy Action supports the Welsh Government’s intentions to produce annual reports and to develop a monitoring and evaluation framework to track its effectiveness, additional assessments should be carried out in several other relevant areas, including:

- Take-up across tenures
- Take-up across income levels (e.g., means-tested benefits vs relative low income)
- Take-up under the health-based criteria (e.g., who is accessing the scheme and with what health conditions, where they are based and how they were referred in)
- Referrals (e.g., from what sectors and organisations)

- Customer journey (including when and why households may drop out of the scheme)
- Measures provided
- Any additional assistance offered (e.g., via ECO or other relevant schemes, as well as safety and carbon monoxide, etc.)
- The outcomes for beneficiaries of the Programme.

Such monitoring and evaluation on progress and outcomes of the new Nest scheme (and the Programme more broadly) should regularly be made public.

6. How changes from the previous Warm Homes Programme will impact delivery, particularly in terms of the numbers of households that will be supported

- 6.1 It has been widely acknowledged, including by the Welsh Government, that current investment of £30 million per year is not sufficient to meet need or targets. The tender document published as part of the procurement process for the new Programme indicated that around 1600 homes would be upgraded annually over the duration of the scheme. Based on this figure, it would take well over a century to upgrade all of Wales's lower-income households currently estimated to be in fuel poverty (i.e., up to 217,700).
- 6.2 We understand that the Welsh Government has faced its toughest budgetary situation since devolution, but there remains an urgent need to improve the energy efficiency of fuel poor homes across Wales, especially for those living on the lowest incomes in the least efficient properties. If Welsh Government is to meet its 2035 targets, reduce fuel poverty and eradicate severe fuel poverty as far as reasonably practicable²³, as well as meet climate change ambitions, it must be prepared to invest to save, significantly scaling up the level of investment in the Programme.
- 6.3 We understand that the Welsh Government intends soon to fully assess the level of investment required to decarbonise fuel poor homes and to make long-term plans for delivering the funding required. There are significant benefits attached to this and National Energy Action encourages the Welsh Government to carry out an assessment of said benefits including savings on energy bills; thermal comfort; health and wellbeing; increased capital value of properties; employment; reduced carbon emissions; and improvements to air quality.
- 6.4 As part of National Energy Action's UK Fuel Poverty Monitor 2022-23²⁴ report, modelling by Gemserv illustrates that approximately £2bn of funding would ultimately be required in Wales to ensure that all low-income households live in a property with an EPC C by 2030. £1bn of this funding would be required from additional government investment in Wales, alongside £1bn via private and social landlords.
- 6.5 It is also understood that the UK Government's Warm Homes Plan will result in significant consequential for the devolved nations, with the UK Government confirming it will initially invest £3.4bn to kickstart the programme in the first three years. National Energy Action firmly believes resulting consequential should be invested into the Warm Homes Programme – i.e. to upgrade the energy efficiency of fuel poor homes in Wales.

7. The need for energy efficiency-based Interim Targets

- 7.1 The Welsh Government's *Tackling Fuel Poverty Plan 2021-2035* was published in March 2021 to address fuel poverty in Wales and to support those "struggling to meet the cost of their domestic energy needs". The publication of the plan and its actions were, and still are, welcomed by National Energy Action.
- 7.2 However, there remains a noticeable lack of interim targets in the Plan, despite the Welsh Government's statutory obligations to specify such targets. This requirement is set out in the Warm Homes and Energy Conservation Act (WHECA) 2000²⁵ to "specify interim objectives to be achieved and target dates for achieving them".

7.3 With 10 years left between now and the end target date of 2035, there are widespread concerns that three non-statutory targets, spanning three Senedd terms, with no interim milestones, seriously risks not driving the sustained and necessary action and investment that is required to address fuel poverty in Wales.

7.4 There are several benefits associated with the introduction of such meaningful interim targets, not least that it will help to provide a clearer pathway to 2035 within Welsh Government's sphere of control, provide vital opportunities to review progress through the duration of the Plan, and enable Welsh Government to meet its statutory obligations.

7.5 There are also numerous benefits associated with meeting energy efficiency-based fuel poverty targets, as outlined in National Energy Action's UK Fuel Poverty Monitor 2022-23. It shows that if Wales had a similar target to England (i.e. for all low-income households to live in a property with an EPC C by 2030), the following benefits could be accessed cumulatively up to 2030:

- £1.1bn in total cumulative energy bill savings for households
- £0.2bn in value of increases to thermal comfort
- £0.2bn in increased capital value of private rented properties
- 3,000 additional full-time jobs
- 1.7 MtCO₂e in reduced carbon emissions
- £5.5bn in improved air quality damage cost savings

7.6 National Energy Action and other key stakeholders, including the Fuel Poverty Coalition Cymru, have been calling on Welsh Government to introduce such targets for many years. Regrettably, neither these nor any other interim targets have yet been introduced into the Plan.

7.7 It is understood that Welsh Government is currently in the process of updating the Plan's short-term actions, and we have advised that an action to "Develop and introduce interim, energy efficiency-based targets to address fuel poverty" should be included, to be achieved by the end of this Senedd term (i.e. May 2025).

8. How effective local authorities have been at accessing and utilising Energy Company Obligation (ECO) Flex funding

8.1 A further key opportunity to upgrade the energy efficiency of fuel poor homes in Wales is by maximising the funding available from GB-wide schemes, such as ECO4, the funding pots of which far surpass that of the current Warm Homes Programme.

8.2 National Energy Action understands that the Welsh Government has provided support to local authorities to develop Statement of Intent on LA ECO Flex through local partnerships and the Welsh Local Government Association.

8.3 We understand the Welsh Government has also provided a total of £352,000 of funding in 2023-24, alongside technical assistance, to local authorities to enable them to leverage funds from ECO and the Great British Insulation Scheme²⁶ – ultimately to encourage them to engage fully with the opportunity.

8.4 However, despite these welcome steps, it is not necessarily clear to stakeholders what each local authority is doing in this space and how effective they have been at accessing and utilising this funding. National Energy Action understands there is a varied picture across Wales, with some local authorities more engaged than others. For example, according to the latest available data, under the ECO3 interim / ECO4 Flex scheme, Powys has had the most installations (4,388) while Torfaen has had zero²⁷. We are also aware that many local authorities are struggling for capacity and resources.

- 8.5 The installation of measures through ECO is reported by parliamentary constituency and varies significantly by region. According to the latest data, between January 2013 and June 2024, Ceredigion Preseli has seen the highest number of installations in Wales, with 7,555 measures installed, equating to 184.7 measures per 1,000 households. In contrast, Monmouthshire has only 2,303 households receiving measures, equivalent to just 56.3 households per 1,000 households. This highlights a considerable discrepancy in the distribution of ECO measures across regions in Wales²⁸.
- 8.6 It is critical that local authorities in Wales maximise ECO Flex funding and are adequately resourced to do so, ultimately to ensure residents in their area are able to benefit from support available under the scheme.
- 8.7 National Energy Action also understands that under the new Nest scheme, Energy Saving Trust (who delivers the Nest scheme's advice and triaging) is in the process of working with each local authority in Wales to set up suitable referral pathways into ECO4 Flex. National Energy Action recommends that residents are *referred directly*, and not simply directed or signposted, to improve accessibility and ultimately to help ensure as many eligible residents receive support as possible.
- 8.8 Referrals to ECO and other relevant UK Government initiatives should also be monitored and regularly reported on to help enable the Welsh Government to track and assess the delivery of these schemes in Wales, the contribution they are making towards 2035 objectives, and the differences they are making to their beneficiaries.
- 8.9 There is currently wider uncertainty around the ECO4 scheme and whether it will be extended past its current end date of March 2026. The UK Government must urgently bring forward a decision to extend the scheme and consult on its specifics.

9. How the Welsh Government is working with the UK Government to address fuel poverty

- 9.1 National Energy Action welcomes the Welsh Government's ongoing work with the UK Government on various wider, related issues during the energy and cost-of-living crisis, including the need for deeper price protection, debt management, and reducing the overreliance on prepayment meters. Continuing to address these areas will help the Welsh Government to make progress towards its own 2035 targets and help ensure low-income and vulnerable households across Wales can afford to keep warm, safe and healthy at home.

Deeper price protection

- 9.2 Few things are more essential than having access to heat and power. Energy is an essential service and there is an ongoing need to introduce deeper, enduring price protection to help make energy affordable for low-income and vulnerable consumers.
- 9.3 This could be introduced in the form of a social energy tariff which would subsidise energy prices for fuel poor households. The Welsh Government has publicly supported these proposals and National Energy Action would welcome it continuing to do so. The previous UK Government committed in its Autumn Statement 2022 to "develop a new approach to consumer protection in energy markets, [to] apply from April 2024 onwards". In so doing, it promised to "work with consumer groups and industry to consider the best approach, including options such as social tariffs, as part of wider retail market reforms", but unfortunately failed to do so.²⁹

Energy debt

- 9.4 There is also an urgent need for UK Government and Ofgem to address the growing mountain of debt in the energy sector. As described above, this is unprecedented and unsustainable, and the consequences

are particularly acute in Wales.

9.5 National Energy Action supports calls for this to be addressed through a 'Help to Repay' scheme that provides funding towards writing off debt and matching debt repayments, to help accelerate the repayment of energy debts for low-income, vulnerable households³⁰.

Prepayment meters

9.6 National Energy Action has welcomed the Welsh Government's engagement and support with issues relating to prepayment meters (PPMs), particularly during the scandal in 2023³¹. Despite welcome progress from Ofgem on strengthened rules around the 'involuntary installation' of PPMs³², unfortunately the issue of overreliance on the installation of PPMs to recover debt is far from over.

9.7 Recent data shared by Ofgem with the Welsh Government and its Fuel Poverty Advisory Panel clearly reveals that PPMs are increasingly being used as a tool for debt repayment. The data shows that the number of accounts in arrears (i.e. without a repayment plan) in Wales has risen significantly (up 25%) in 2023. For those in debt, the number of households repaying via PPMs is up 92% for electricity (almost double) and 179% for gas (almost triple) since 2020³³. The most growth was between 2022 and 2023 precisely when the ban on the forced installation of PPMs was in place. This indicates a combination of two things – that customers are willingly choosing to repay via PPM and/or customers are being 'encouraged' to move over to a PPM by their supplier.

9.8 National Energy Action would welcome the Welsh Government's continued support to ensure Ofgem continue to monitor, enforce, and improve suppliers' performance in this regard; to continue to support the smart meter rollout (particularly for prepay users); and to reduce standing charges for prepay customers.

Working with partners

9.9 To further support and protect low-income and vulnerable households, the Welsh Government should also work with wider partners to deliver actions where it does not have direct delegations to deliver. National Energy Action would like to see this as a new action in the *Tackling Fuel Poverty Plan* to intentionally engage with other sectors, including:

- Ofgem
- Energy suppliers (across GB and including Ynni Cymru)
- Energy networks
- Local governments
- Housing sector
- Health sector

9.10 We acknowledge the Welsh Government's ongoing and welcome engagement with Ofgem on issues such as prepay and would encourage extending this to achieve further fairer outcomes for vulnerable Welsh households in the retail energy market. This should include, but not be limited to, issues relating to:

- Prepay and the impact of self-disconnection
- Smart meters
- Debt
- Standing charges and regional variations in prices
- Revisions to supplier licence conditions

9.11 We also note that the Welsh Government currently makes no specific reference to engage with the housing or health sectors in its *Tackling Fuel Poverty Plan*, despite both matters being devolved. We

would therefore like to see these included as new distinct actions to engage both sectors to help tackle fuel poverty, reduce avoidable inequalities and drive-up standards. Namely by:

- Working with the housing sector to actively track related issues in social housing and respond to those sets of issues, and assessing how low-income vulnerable households are being prioritised for energy efficiency upgrades. The Welsh Government has introduced new, higher minimum energy efficiency standards for social housing (under the WHQS 2023), in contrast to the stagnant policy in the private rented sector that is set by the UK Government. The Welsh Government should, therefore, also actively track the enforcement of housing standards in the private rented sector (including PRS MEES and HHSRS), any barriers to enforcement, the role of Rent Smart Wales in this regard, all with a view to ultimately improve the quality of the PRS in Wales. To enforce tenants' rights to a warm, safe and healthy home, government and local authorities need to work closely together to ensure monitoring and enforcement is a resourced priority for all local authorities. This includes building local authority capacity to enforce current minimum standards. Currently, constrained finances and capacity mean many local authorities struggle to allocate adequate resources to monitor and enforce standards in the private rented sector.
- Working with the health sector to reduce avoidable health inequalities and to help tackle fuel poverty, which costs the NHS in Wales approximately £95m every year³⁴. This may require targeted/focused efforts at a local level, in areas where fuel poverty and health inequalities are deepest. The Welsh Government's Cold Weather Resilience Plan does not commit to such action or to align work with Wales' health sector in this way currently. In 2024-25, National Energy Action, Care & Repair Cymru and Warm Wales are working jointly with the health sector to help embed well-established processes and approaches to fuel poverty and reduce health inequalities. Lessons learnt from this programme can help with focused engagement with the health sector in Wales.

END

¹ See *Fuel poverty modelled estimates for Wales*, Welsh Government (2022) at <https://www.gov.wales/fuel-poverty-modelled-estimates-wales-october-2021/>

² Based on Ofgem's previous way of working (used until late 2023), October's GB average of £1,717 is actually ~£1,800. In South Wales, it is equivalent to £1,834 and in North Wales and Mersey, £1,845. See <https://www.nea.org.uk/news/tdcv-explainer>

³ Under its *Tackling Fuel Poverty Plan 2021–2035*, the Welsh Government has set three targets, namely that by 2035: no households are estimated to be living in severe or persistent fuel poverty as far as reasonably practicable; not more than 5% of households are estimated to be living in fuel poverty at any one time as far as reasonably practicable; *and* the number of all households 'at risk' of falling into fuel poverty will be more than halved based on the 2018 estimate. See <https://www.gov.wales/tackling-fuel-poverty-2021-2035-html#section-64048>

⁴ National Energy Action and YouGov surveyed 1,059 Welsh adults between 9 – 13 September 2024, see *Half of Welsh adults are likely to ration their energy use this winter – as bills RISE again*, National Energy Action (2024) at <https://www.nea.org.uk/news/oct-24-price-cap-wales-survey/>

⁵ See *Debt and Arrears Indicators*, Ofgem (2024) at <https://www.ofgem.gov.uk/publications/debt-and-arrears-indicators>

⁶ The issue here, arguably, is not that the Winter Fuel Payment is now targeted, but that it has not been targeted effectively. Nor has any other additional, targeted energy bill support been made available.

⁷ See *Plenary 18/09/2024 – Welsh Parliament*, Senedd Cymru (2024) at <https://record.senedd.wales/Plenary/14106#A90378>

⁸ See *State of Wales briefing: pensioners and Winter Fuel Payment*, Bevan Foundation (2024) at [State of Wales briefings - Bevan Foundation](https://www.bevanfoundation.org.uk/state-of-wales-briefings-bevan-foundation) and *Commissioner urges rethink on Winter Fuel Payment means testing*, Older People's Commissioner (2024), at <https://olderpeople.wales/news/commissioner-urges-rethink-on-winter-fuel-payment-means-testing/>

⁹ See *Written Question – WQ93698 – Welsh Parliament*, Senedd Cymru (2024), at <https://record.senedd.wales/WrittenQuestion/93698>

¹⁰ See *New Warm Homes Programme: policy statement*, Welsh Government (2023) at <https://www.gov.wales/new-warm-homes-programme-policy-statement-html/>

¹¹ See *New Warm Homes Programme: policy statement*, Welsh Government (2023) at <https://www.gov.wales/new-warm-homes-programme-policy-statement-html/>

¹² See *Get free home energy efficiency improvements from Nest*, Welsh Government at <https://www.gov.wales/get-free-home-energy-efficiency-improvements-nest/eligibility>

¹³ See *The Welsh Government's Warm Homes Programme*, Audit Wales (2021) at <https://audit.wales/publication/welsh-governments-warm-homes-programme>

¹⁴ See *New Warm Homes Programme: policy statement*, Welsh Government (2023) at <https://www.gov.wales/new-warm-homes-programme-policy-statement-html/>

¹⁵ See *New Warm Homes Programme: policy statement*, Welsh Government (2023) at <https://www.gov.wales/new-warm-homes-programme-policy-statement-html/>

¹⁶ The suggested age-related criteria are taken from Ofgem's recently updated rules regarding involuntary installations for prepayment meters (PPMs). However, it should be noted that PPMs should only be a last resort and only ever installed where it is safe and reasonably practicable to do so – irrespective of age or health. In addition to this, while suppliers are prohibited from force-fitting a PPM in a household where someone is aged 75 or over, or two and under, the regulations also prohibit suppliers from force-fitting a PPM in *financially vulnerable* households with someone aged 65 or over, or five and under, where they are unlikely to be able to afford a reasonable level of energy consumption and will frequently, or for prolonged periods, self-disconnect and risk causing significant consumer harm. In these circumstances, the supplier must consider PPM to be not safe and reasonably practicable. Given the overall eligibility criteria for Nest, it is reasonable to assume that all eligible applicants to Nest are also financially vulnerable, given they are living on the lowest incomes in the least efficient homes across Wales. It is also worth noting that when Ofgem published these updated rules, the Senedd's Petitions Committee made representations that the rules were too narrow, and the First Minister stated in Plenary on 9 January 2024 that the rules, while significantly stricter than the previous arrangements, "don't go far enough, in our view". See *Plenary 09/01/2024 – Welsh Parliament*, Senedd Cymru (2024) at <https://record.senedd.wales/Plenary/13678>

¹⁷ National Energy Action and other Fuel Poverty Advisory Panel members fed back these concerns in advance of the decision the Welsh Government has now taken. There was also consensus among the majority of the group that should the Welsh Government deem it necessary to limit boiler repairs/replacements to a distinct subset of eligible Nest applicants with no heating or hot water and for whom heat pumps/low-carbon heating is not yet a viable/appropriate option, then this should, at the very least, be expanded to include those:

- aged 65 years and over;
- with children aged five and under;
- who are pregnant (save being turned away and having to reapply shortly after giving birth and once baby is now at home);
- households with residents with one of the existing health conditions (as proposed);
- with a terminal illness (as proposed).

Worryingly, not even these recommendations appear to have been adopted. Further, the Welsh Government's original draft included a degree of flexibility, stating "*Those with a clear need for crisis support, falling just outside the age thresholds, would be considered on a case-by-case basis*". This also appears to have since been removed, noting that the Welsh Government now states it will "monitor the situation, particularly for those with a clear need for crisis support, falling just outside the age thresholds listed".

¹⁸ See *How could Wales heat and build homes and workplaces by 2035?*, Wales Net Zero 2035 Challenge Group (2024) at <https://netzero2035.wales/our-reports/how-could-wales-heat-and-build-homes-and-workplaces-by-2035>

¹⁹ See *National Energy Action Cymru – Fuel poverty and the Warm Homes Programme* (2022) at <https://business.senedd.wales/documents/s122018/FP12-%20National%20Energy%20Action%20Cymru.pdf>

²⁰ See <https://www.gov.wales/local-area-fuel-poverty-estimates-april-2017-march-2018>

²¹ See *Fuel Poverty in Wales*, Climate Change, Environment and Rural Affairs Committee (2020) at <https://senedd.wales/laid%20documents/cr-ld13147/cr-ld13147-e.pdf>

²² Audit Wales stated that "future schemes would benefit from increased scrutiny of delivery, closer monitoring of contract compliance and better management information". See *The Welsh Government's Warm Homes Programme*, Audit Wales (2021) at <https://audit.wales/publication/welsh-governments-warm-homes-programme>.

²³ See *Tackling Fuel Poverty Plan 2021–2035*, Welsh Government (2021) at <https://www.gov.wales/tackling-fuel-poverty-2021-2035-html#section-64048>

²⁴ See *UK Fuel Poverty Monitor 2022-23*, National Energy Action (2024) at <https://www.nea.org.uk/wp-content/uploads/2024/01/FPM-full-31-January.pdf>

²⁵ See *Warm Homes and Energy Conservation Act 2000*, at <https://www.legislation.gov.uk/ukpga/2000/31/contents>

²⁶ See *Draft Budget 2024-25*, Welsh Government (2023), at <https://www.gov.wales/sites/default/files/publications/2024-02/ministers-written-evidence-to-senedd-scrutiny-committees-2024-2025.pdf>

²⁷ See *Household Energy Efficiency Statistics*, UK Government (2024) at <https://www.gov.uk/government/statistics/household-energy-efficiency-statistics-headline-release-october-2024>

²⁸ See *Household Energy Efficiency Statistics*, UK Government (2024) at <https://www.gov.uk/government/statistics/household-energy-efficiency-statistics-headline-release-october-2024>

²⁹ See https://assets.publishing.service.gov.uk/media/63761678e90e0728475ed4fd/CCS1022065440-001_SECURE_HMT_Autumn_Statement_November_2022_BOOK.pdf

³⁰ See *Help to Repay Proposal*, Money Advice Trust (2023) at <https://moneyadvicetrust.org/help-to-repay>

³¹ The forced installation of PPMs by warrant is not new, often used as a tool to recover debts. However, despite repeated warnings from Ofgem, and supplier license conditions stipulating that forced installation of PPMs is a last resort and only to be done when it is safe and reasonably practicable for consumers, the situation deteriorated over the pandemic and the onset of the energy crisis. In December 2022, the *i* paper reported that nearly half a million warrants had been issued since the Covid-19 pandemic. A similar investigation also found that since October 2021, the number of warrants had increased by 18% at the time, with one court in the north of England signing off 496 warrants in under four minutes. In February 2023, an undercover investigation by *The Times* exposed British Gas debt agents force fitting PPMs into the homes of vulnerable households.

³² See *New prepayment meter rules extend protections for vulnerable people*, Ofgem (2023), at <https://www.ofgem.gov.uk/press-release/new-prepayment-meter-rules-extend-protections-vulnerable-people>

³³ Ofgem routinely collects data through its suppliers' Social Obligations Reporting. Some data is routinely collected but has not yet been shared, including data on self-disconnection and smart PPMs more broadly. Other data, such as total amount of energy debt and arrears by nation *and* average amounts owed by customer in each nation are not routinely collected or published. National Energy Action believes they should be.

³⁴ See *Making a Difference Housing and Health: A Case for Investment*, Public Health Wales at <https://phw.nhs.wales/files/housing-and-health-reports/a-case-for-investment-report> Note: Public Health Wales' report also highlights that every £1 spent on housing adaptations prior to hospital discharge results in £7.50 of cost savings for health and social care services.