Citizens Advice Scotland consultation response:

The Energy Efficiency Standard for Social Housing post-2020

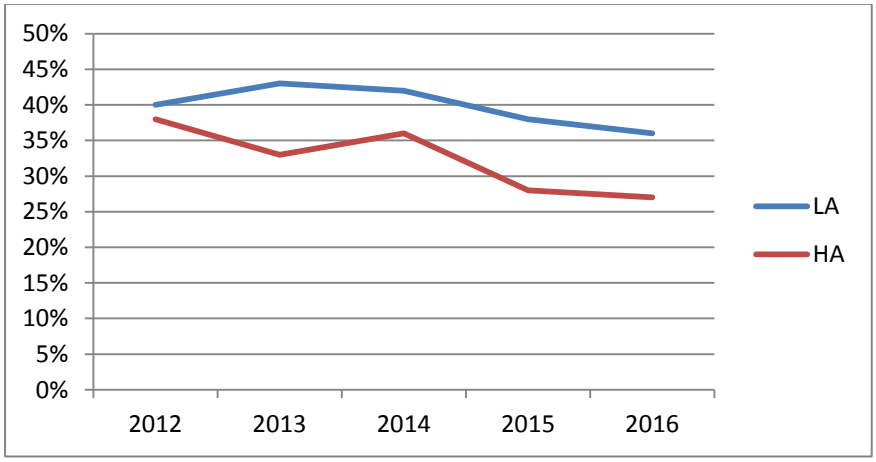
July 2018

The Consumer Futures Unit (CFU), part of Citizens Advice Scotland (CAS), uses research and evidence to put consumers at the heart of policy and regulation in the energy, post and water sectors in Scotland. We work with government, regulators and business to put consumers first, designing policy and practice around their needs and aspirations.

Introduction

The social rented sector plays a fundamental role in providing genuinely affordable housing. High quality, energy efficient social housing is vital to Scotland's communities. Scottish Government data shows that the energy efficiency of housing in the social rented sector has improved over recent years. However, while there have been some reductions in fuel poverty in this sector, the number of households in fuel poverty remains stubbornly high and greater than the national fuel poverty rate.

Fuel Poverty rates by social tenure (Local Authority and Housing Association), Scottish House Condition Survey



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Detailed Responses to Consultation Questions

Question 1: What are your views on the proposed target to maximise the proportion of social housing meeting EPC B by 2032?

We support the ambitious target to maximise the proportion of social housing meeting EPC B by 2032. Fuel poverty rates are highest in the least energy efficient homes and removing poor energy efficiency as a driver for fuel poverty is a welcome objective. Achieving this target will be challenging, particularly for housing that relies on electric heating and other high cost fuels.

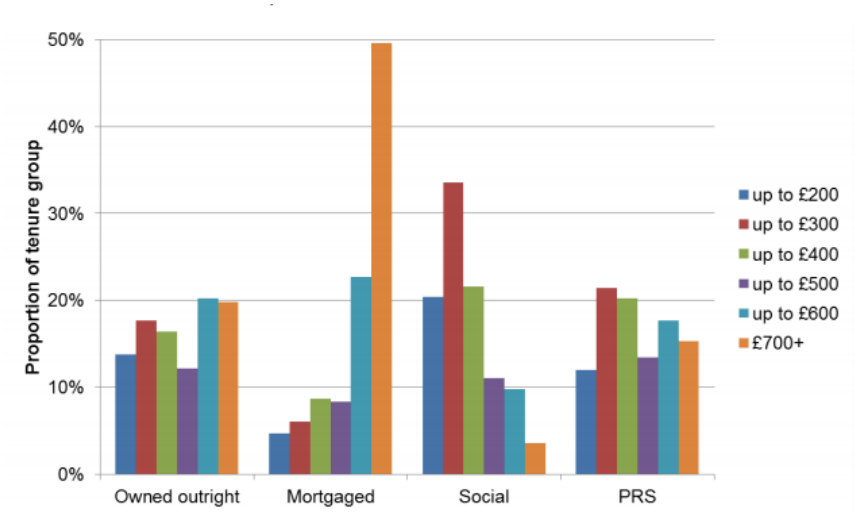
It is important to note that while it can reduce fuel poverty, energy efficiency alone will not eradicate fuel poverty. High fuel costs and low incomes drive fuel poverty even in highly energy efficient homes. There are synergies between improving energy efficiency and addressing fuel poverty but there can be conflict between the two, since the most cost-effective approach to addressing energy efficiency will not be the most cost-effective means of addressing fuel poverty.

In 2016, 53% of LA housing was still EPC D or E. However, there was a 7% increase in the numbers of LA housing with an EPC rating of B or C between 2015 and 2016, which indicates that rapid improvement is possible. It is notable, however, that while the EPC rating of Housing Association accommodation tends to be considerably higher, there does not appear to have been any marked improvement between 2015 and 2016[1]. Our previous research has suggested that the pace of energy efficiency improvements is likely to slow down as the 'easy to treat' properties are improved, and the remaining measures required become more costly or difficult to deliver[2].

While the ambition to achieve this standard is welcome, and the potential for improvement is promising, it will be necessary that appropriate levels of support are made available. Sufficient funding will be required order to achieve the EPC B target, particularly for Local Authorities (LAs) where significant improvements will have to be made. Social housing tenants are likely to have lower incomes and should not be expected to unduly subsidise the costs of these improvements through increased rent. The level of support that is available to social landlords to meet this target should be sufficient to negate impacts on renting costs.

Proportion of Households in each tenure group by weekly household income band, Scottish House Condition Survey 2016

[1] http://www.gov.scot/Resource/0052/00528448.pdf
[2] CAS, Taking the Temperature, 2016



While modelling work has been done on the specific costs of reaching EPC D, we have not seen a full analysis of the costs of attaining an EPC rating of C or B across the social rented sector. Further research should be carried out on this to help to inform social landlords of the likely costs of necessary upgrades, and to help inform what additional support may be required.

Any funding for support that is required should also be made available over an appropriately long term to allow social landlords to make adequate plans to meet the target, to maintain their own funding requirements, and to retain necessary staff. This will help to give the confidence to social landlords to effectively plan and undertake improvements, as well as helping to give confidence for the supply chain to develop.

It is also important that households with the greatest need for improvements are targeted, and the ambition to maximise the standard does not become a matter of only improving the housing that is easiest to improve. Adequate resources should be directed to areas with the greatest need. This may include housing in remote rural areas or with electric or other non-mains gas heating, which may pose more of a challenge in achieving EPC B. Our Taking the Temperature[3] report found that certain local authority areas require significant levels of support to ensure that they are consistently delivering measures to the housing stock in their area. It is important that LAs are effectively supported to avoid a postcode lottery for consumers.

Question 2: What are your views on the proposal for a lower target of EPC C for detached houses and houses reliant on specific fuel types (e.g. oil, LPG and solid fuel)?

Research CAS research has demonstrated that consumers without mains gas are:

- More likely to experience fuel poverty and poor energy efficiency.

[3] https://www.cas.org.uk/system/files/publications/taking_the_temperature_-_a_review_of_energy_efficiency_and_fuel_poverty_schemes_in_scotland.pdf

- More likely to be living in a rural area.
- More likely to include householders over 60 years old[4].

Our research based on 2014 figures found the cost of heating a home with an electric heating system on a standard tariff to be significantly higher than any other heating type with costs almost triple that of mains gas. CAS research found that in Scotland electricity was used in 21% of rural homes, unlike elsewhere in rural Britain, where the proportion of homes using electricity for heating is similar to that in urban areas (less than 10%).

In Scotland, the Highlands and Islands region in particular has low levels of mains gas use (40.5%) – with all other regions having a rate of use over 75% (2014 figures).

Both the Scottish and UK governments previously identified off-gas households as a particular priority for their fuel poverty strategies and the Scottish government has committed to support those in rural and remote areas of Scotland. Whilst we recognise that there are practical barriers to achieving EPC C for certain houses in the same timeframe as others, it will be important that additional support is available to improve these houses.

Houses reliant on the specified fuel types present an opportunity to reduce domestic carbon emissions through the installation of low carbon technologies. Our Hot off the Grid[5] report contains perspectives from both social housing tenants and their landlords, examining their experience of retrofitting and living in off-gas, rural properties where different types of heating systems have been installed.

This research found that landlords were replacing heating systems to meet the Energy Efficiency Standard for Social Housing (EESSH) and with the desire/aim to reduce tenants' fuel bills. Their choice of technology was based on a number of factors such as installation cost, tenant satisfaction, and maintenance requirements. Decision-making processes differed between landlords, with some finding it more difficult / complex than others.

Lack of information was cited by some as an issue which should be addressed by any new standards. Landlords should have a thorough understanding of the impact of heating replacements on SAP scores so that the impact on EESSH compliance is known. However landlords must also factor in wider considerations such as tenants' acceptance of the technology (influenced by real or perceived understanding of ease of use or disruption during install).

Question 3: What are your views on the proposed content of the review:

(a) to assess progress towards meeting the new standard?

[4] Off-gas consumers: Updated information on households without mains gas heating 2018 (unpublished)

[5] https://www.cas.org.uk/system/files/publications/hot_off_the_grid_delivering_energy_efficiency_to_rural_off-gas_scotland_final.pdf

This will be necessary to assess the effectiveness of new regulatory standards. It is important to build independent formal evaluation into the design and management of all schemes. With the aim of achieving a cycle of continuous improvement and building an understanding of the impact of different energy efficiency and fuel poverty interventions and to help build the business case for investment in energy efficiency. Where possible evaluation should include sample monitoring of actual behaviour and energy use.

It will be necessary to assess not only progress towards the standard generally, but to assess where progress is being made, and whether additional support is required to meet the standard. This should help to ensure that specific areas, where the nature of the housing stock or available heating fuels may make it more challenging to meet the standard, are not left behind while other areas progress towards the standard.

This should aim to ensure that disparities between different areas are not exacerbated. In particular, a review should consider whether certain areas require additional support to work towards the standard, such as rural areas, where there is often no access to mains gas and the housing stock is generally less energy efficient.

(b) to consider the 2032 milestone in the context of technological developments?

We agree that the review should consider the 2032 milestone in the context of technological developments. This will help to determine whether any available support is the most appropriate, particularly where upgrades to heating systems are being carried out.

(c) to consider any additional requirements of the 2032 milestone regarding air quality and environmental impact?

We agree the importance of ensuring no detriment to consumers in air quality, and therefore clear standards and guidance, and advice for landlords, will be essential.

Question 4: In terms of the timing of the review, what are your views on:

(a) the proposal to review the new standard in 2025?

We agree with the proposal to review the new standard in 2025. As this is an ambitious target, it will be necessary to assess how social landlords are progressing, and in particular to take stock of any difficulties or barriers they are facing to achieve it. This will help to assess the ongoing viability of the target and whether any additional support is required.

It would be helpful to have sight of the publication of the Scottish Government's initial research into EPC methodology to inform any decisions on review timescales. If EPCs are to underpin minimum standards, then landlords and tenants need to be able to understand and have confidence in them.

(b) the proposal to review the standard earlier if UKG has made announcements on hydrogen and the re-provisioning of the gas network?

Yes, as it will be necessary to determine what the impact may be on households and social landlords, particularly if announcements could have any implications for changing heating systems. The dual goals of decarbonising heat supply and reducing fuel poverty should be considered carefully, and measures which increase energy costs for households that are vulnerable to fuel poverty should be avoided. This is particularly the case in both the social and private rented sectors, where our research has indicated that the high and rising cost of energy remains one of the most pressing concerns for tenants[6], and a key driver of fuel poverty. Therefore, decarbonisation strategies must avoid inadvertently exacerbating fuel poverty in the social rented sector, as tenants in this sector tend to have lower incomes and are likely to be less able to cope with additional rises in energy prices.

In general however, the standard should be reviewed in line with any new decarbonisation requirements. The Scottish Government has previously noted its wish to avoid, where possible, a situation where there is a requirement to upgrade a heating system to comply with an energy efficiency standard, only for this to have to be replaced by an alternative heating system to meet de-carbonisation targets.

The consultation paper states that '*landlords should avoid large scale investment in gas-grid improvements until the future situation on re-provisioning is clearer*'. If this is to be the case, further consideration should be given to how energy can be made more affordable without installing gas, particularly due to the high numbers of off-gas homes that are electrically heated. Recent research by CAS indicates that many households that rely on electric heating find it unaffordable, and other energy efficiency improvements may not sufficiently mitigate this due to very high unit costs. If this standard is to achieve its goal of alleviating fuel poverty across Scotland, these high heating costs must be addressed, and in some cases this will mean alternative heating systems, of which mains gas tends to be the most affordable.

Recent CAS research[7] identified the household and physical characteristics of properties not using mains gas. Table 5 demonstrates that up to 207,000 homes in Scotland are within 23 metres of the gas network[8] and could potentially be connected to have some form of gas heating (either individual home or communal systems) installed at a comparatively low cost, thus allowing such homes to benefit from cheaper heating[9]. Connecting the homes that are located off the gas grid (further than 23 metres) would be less cost effective.

Table 5 also shows that 29,000 homes have a gas supply but do not use gas for their main source of heating. Although this is a substantially lower number than in 2008, these households are likely to use more expensive heating fuels than gas despite the fact that they could have gas heating installed at relatively low cost (given that they have a gas

[6] CAS, Speaking Up: Understanding Fuel Poverty Support Needs, 2018

[7] Off-gas consumers: Updated information on households without mains gas heating 2018 (unpublished)

[8] For properties within 23 metres of the gas grid, a Gas Transporter is obliged, upon request, to install assets necessary for the connections of the premises.

[9] Householders may require support with the additional cost of installing a new internal heating system to ensure that they are able to benefit from any fuel change.

supply coming to their property). The data suggests that connecting these properties to the gas grid could have a disproportionately beneficial impact, as these households are more likely to be financially worse off. Specifically, and compared to those connected to the gas grid, households within 23m meters of the gas grid but not connected to it are:

- More likely to be in lower income bands and less likely to be in higher income bands;
- Substantially more likely to be in fuel poverty;
- More likely to be single person households; and
- More likely to be private tenant or tenants of registered social landlords.

In Scotland these properties are mostly urban flats using electric heating, as shown in Table 6. Additionally these homes are more likely to fail housing quality standards than homes connected to the gas grid, and more likely to have a lower EPC rating, with more than twice the proportion of Scottish homes within 23m of the gas grid rated E or lower compared to gas connected properties.

Table 5: Availability and use of mains gas, 2008 and 2013[1]

Year	Mains gas usage	Scotland	
		,000	**%**
2008	Gas – main heating fuel[2]	1,800	*76.8*
	Gas supply, but not main fuel	53	*2.3*
	No gas, but in gas postcode	171	*7.3*
	Not in gas postcode	306	*13.1*
	Total households	**2,330**	***100.0***
2013[1]	Gas – main heating fuel[2]	1,890	*78.7*
	Gas supply, but not main fuel	29	*1.2*
	No gas, but on gas grid[3]	207	8.6
	Off gas grid	277	11.5
	Total households	**2,403**	***100.0***

1 The data for Scotland were collected in 2012-2014
2 Includes communal heating where likely to be gas-fired.
3 Defined as a property less than 23 metres from the gas network.

Table 6: Main characteristics of homes within 23m of the gas grid for Scotland

	Scotland	
	,000	**%**
Urban	177	*85.4*
Electric heating	182	*88.1*
Flats	127	*61.4*

Whilst CAS acknowledges the reasons for avoiding significant investment in gas grid improvements we would welcome views on how these households can be targeted for support, given the circumstances identified above.

Question 5: Do you have any other comments on the further requirements proposed for the EESSH 2032 target?

The installation of new technologies, such as upgrading heating systems, can come with challenges around consumers understanding and adapting to use them effectively. It will be important that improvements that are made to meet the target are accompanied by appropriate advice and support for tenants on how to make best use of improvements, whether in the form of using new heating systems effectively, or more general advice on efficient energy use in the home. In their choice of technology and scheme design (e.g. tenant engagement methods, evaluation, etc.), social landlords should seek to share information with other landlords and undertake their own pilot schemes to derive learning.

Beyond this, consideration should be given to how complimentary support can be more effectively delivered, including providing tariff checks and benefits checks for tenants, whether via referrals or otherwise. This is important as high and rising energy prices, combined with low incomes, means that even those in highly energy efficient housing can still be in fuel poverty and therefore require additional support. The installation of energy efficiency measures may provide an opportunity to engage with households who require additional support, and consideration should be given to how this could be better embedded in delivery.

Question 6: What are your views on the proposed minimum standard that no social housing should have an energy efficiency rating of less than EPC D?

This proposal is reasonable as a minimum for the 2020 standard, however progress should be focussed on achieving higher standards after this date. We would welcome more detail on whether this can be aligned with the target to achieved EPC C for the private rented sector by 2030, and it may be appropriate to make this a minimum standard for social housing, if practicable.

Question 7: It is proposed that this minimum standard of EPC D applies to social housing from April 2025, in line with the standard for the private rented sector. What are your views on this timescale for social housing?

This is reasonable as a backstop, however progress should be focussed on meeting the 2020 target as far as possible, and any appropriate support should be focused on this.

Question 8: What are your views on the proposal that landlords would need to provide a short narrative explanation of their performance in their annual returns to the SHR?

No view.

Question 9: What are your views on the proposal that limited exemptions should apply to the 2025 minimum standard for new lets?

We accept that there will be barriers which may require exemptions in certain cases. The proposals for specific exemption criteria in the consultation paper appear reasonable. However, consideration should be given as to whether additional financial support needs to be made available where social landlords cannot improve standards due to excessive cost as this will no longer be an exemption. This is important to ensure that additional costs are not unduly borne by tenants.

Question 10: What are your views about the proposed approach to recognising new technology in EESSH2?

We support the recognition of new technology, particularly where this can reduce energy costs for households. Due to the often excessive cost of electric heating, new technologies such as higher-retention storage heaters are welcome and should be embraced where they reduce costs for tenants.

Question 11: Do you have any comments on the EESSH 2040 Vision for

(a) poor energy efficiency to be removed as a driver for fuel poverty and for

We strongly support the commitment to removing poor energy efficiency as a driver of fuel poverty. This should be in line with strategies to improve EPC performance across Scotland's housing stock, such as minimum efficiency standards in private rented housing, and should prioritise households that are at greatest risk of fuel poverty. In order to achieve this goal, the Scottish Government may need to take a more radical approach to delivering energy efficiency measures, as the 'low-hanging fruit' or easily installed/cheaper measures are delivered, more expensive and difficult to install measures will need to be deployed to difficult-to-treat housing, and whole-house solutions will be required.

(b) social housing to be carbon neutral?

We support the aim that social housing should be made carbon neutral. However, this should not be done at the expense of reducing fuel poverty levels. This means that installing lower carbon heating systems should be avoided for this sector if it would significantly increase costs for tenants. This is important in the social rented sector, as tenants are more likely to have lower incomes than those in other sectors, and may therefore be more vulnerable to fuel poverty.

Question 12: Do you have any views on the assessment of (a) costs, (b) benefits and (c) funding implications of EESSH2?

See response to Question 1.