



The Costs of Keeping Warm

Results of a Survey conducted
by
CAB Cornwall Campaigning Action Group
to study issues concerning
domestic fuel
in Cornwall.



Introduction

The provision of heating can be a worry for many people. Most commonly, it is the cost of fuel that is a major problem. However, many clients visiting Bureau offices in Cornwall residing in rural areas of Cornwall are faced with an additional problem. Whilst the supply of fuel is taken as a given to most, for some clients in rural areas it can present a major problem, requiring them to pursue alternative methods of heating.

This report aims to add empirical data to anecdotal commentary on the provision of fuel, looking both at the supply of fuel and the cost of fuel, which together present significant barriers to "Keeping Warm".

Summary

- Heating is a problem for many CAB clients across Cornwall, with many having to use fuels not provided for by mains supply.
- Costs are high, with many people spending a disproportionate amount of income on fuel.
- Awareness of the problems with other forms of supply can be difficult to explain to those with an effective mains supply.
- With inevitable increases in fuel prices, the issues raised in this report are likely to become more prominent.
- Many vulnerable people will be hit twice, both by the difficulties of fuel poverty, but also by the exacerbation of these issues by rurality.

Background

The survey was conducted in 6 main CAB Cornwall (CABC) locations with

respondents distributed as follows:

- Bodmin 53
- Liskeard 85
- Redruth 104
- St Austell 14
- Saltash 34
- Truro 17

In total, 307 people were asked for their contributions during January and February 2010.

The survey sought to understand the types of fuel being supplied to clients, how these different types were being paid for, and how those payments were relative to the income of the clients. The outcomes of which would be an indication of the extent of fuel poverty in Cornwall.

The fuel poverty line is defined by the Department of Energy & Climate Change (DECC) as households which must spend more than 10% of its income on fuel to maintain a satisfactory heating regime¹. These statistics point to the regrettable conclusion that 18% of households in Cornwall would be considered fuel poor.

The Joseph Rowntree Foundation found that houses in rural areas need to spend on average 10-20% more to meet everyday requirements than houses in urban areas; with older housing and lack of mains gas supply pushing domestic fuel costs higher². The difficulties presented by the price of fuel are exacerbated in rural areas, where lack of access to many urban amenities can make life harder still. A CAB report titled 'Remote Access' highlights some of these

¹ DECC "Annual Report on Fuel Poverty Statistics 2010"
Accessed on 16/11/10 at:

http://www.decc.gov.uk/assets/decc/Statistics/fuelpoverty/6_10-annual-fuel-poverty-statistics-2010.pdf

² Joseph Rowntree Foundation "A minimum income standard for rural households"

Accessed on 07/12/10 at:

<http://www.jrf.org.uk/sites/files/jrf/minimum-income-standards-rural-summary.pdf>

issues, such as the cost of public transport for people having to travel to hospitals from rural areas.

With the combination of high fuel poverty rates and evidence suggesting that rurality might make the problem worse, this survey sought to understand the issues faced by some of the residents of Cornwall, and consider ways in which this issue could be lessened.

Results of Survey

Age & Sex of respondents

Respondents were from a wide age range from 19 to 92. The average age was 48 years with a split of 177 female and 130 male. Government statistics published by the DECC in 2006 identify people over the age of 60 as being most likely to suffer from fuel poverty.

Status

Of our respondents, 51% were part of a couple, whilst 35% were single, 11% divorced, and 3% widowed. DECC statistics on fuel poverty identify single people as the most likely to be in a position of fuel poverty.

What type of Housing?

The vast majority of those surveyed said they lived in houses (77%). 15% lived in flats and 2% in mobile homes. The remaining 6% stated "Other".

Do you own or rent your property?

The majority of respondents lived in rented accommodation. Just over a quarter lived in HA or Council property (28%) with more than a third (38%) in private rented. A third were owner

occupiers (32%). The remaining 2% stated "Other".

Where rented accommodation is concerned, residents might not necessarily have personal control over when the heating is on, or how it is supplied.

One respondent said they were boarding, and so had "no control over heating or bills".

Can you afford to heat your home?

We asked how many rooms people had in their properties and if they could afford to heat all of them.

With 1,711 rooms spread across the respondents, there were roughly 5 rooms per house. Of the 276 respondents that answered whether or not they were able to heat all the rooms in their house, only 43% said they could. Thus, a staggering 57% of respondents felt unable to keep their house warm.

Results from Redruth, which had the highest number of respondents, also reflect this with 54% stating that they were unable to keep all rooms heated. Other areas showed a greater percentage of people unable to heat their homes, but these numbers are less reliable due to low frequency of response.

Who lives in your home?

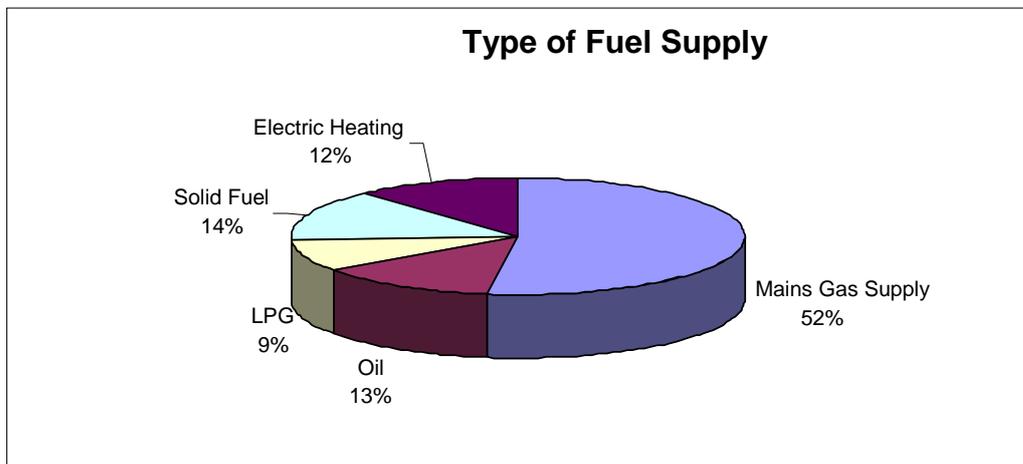
We asked whether children under 5, between 6 and 16, over 65s or disabled/ill people lived in the home to give an indication of the extent to which vulnerable groups were involved.

17% of households had children under 5 years and 20% under 16 years. A quarter of households were home to

disabled or ill people and 17% of households had pensioners.

Clearly, homes with vulnerable residents present a considerable issue. Vulnerable people are potentially more prone to illness as the result of an ineffectively heated home. Furthermore, vulnerable people are less likely to be able to afford fuel prices, and will have to make tight budgets stretch further.

Some companies do offer incentives to reward loyalty, but this can complicate the issue of changing supplier, meaning that consumers do not have much flexibility in response to price fluctuations.



What fuel do you use?

We asked what fuel was used in the home. We did not specify whether this was used for heating so although 100% of people had electricity we did not ask how many used it for heating and hot water. Using a process of elimination however an estimate of this was taken based on those who did not state the use of another fuel.

The chart below shows that 52% of respondents used mains gas for heating. The breakdown of the remaining 48% is as follows: 13% used oil, 14% solid fuel, 12% electricity and 9% LPG (Liquefied Petroleum Gas).

Therefore, 64% of respondents use gas and/or electricity for heating and so are covered by social tariffs in existence in these utility sectors. The remaining 36% using oil, LPG and solid fuel have no such support structure, and with less restricted and unregulated markets have more exposure to price changes going unchallenged.

Case Study: Referring to the insurmountable efforts of the RAF during WWII, Winston Churchill passionately argued that "Never in the field of human conflict was so much owed by so many to so few". And yet, an elderly client who served with the RAF during WWII, now living with a family member and in receipt of Pension Credit and Disability Living Allowance (Higher Rate Mobility and Middle Rate Care), cannot afford to heat his home. Living in a rural area, his only source of heating was heating oil; with limited funding and no regulation of the industry on a social basis. As a result, the client suffers significant financial hardship, and there are likely to be many more cases like this which urgently require government intervention.

Can you afford your fuel?

Our survey data revealed that 136 respondents (56%) were significantly below the fuel poverty limit. The average amount of income being spent on domestic fuel by those respondents was a staggering 19.95%, nearly double the 10% limit. Some respondents reported having to spend astronomical amounts on

fuel, particularly where they are forced to purchase costly alternatives to mains supply.

As a result, many people have to reach a grim compromise between the poor health resulting from a cold, damp home, and the risk of debt that would result from having necessary heating.

The highest percentage of clients with arrears were those using electricity and gas (12% and 15% respectively) although the electricity figure includes those clients using electricity for things other than for heating.

Arrears with LPG and solid fuel are noticeably much less (3% & 7%) perhaps reflecting the more cash based market and means of supply.

However, where arrears are more likely to be accrued, for electricity and mains supply, the 12% and 15% figures are not necessarily indicative that the majority people were able to afford sufficient heating. One respondent commented that their "house was never warm", whilst another said that they "pay monthly to park [and therefore] can't afford to put the heating on".

Another respondent commented that their mains supplier would not allow them to change their energy plan to a more efficient one. They wanted to change to one "which would allow storage heaters to charge up in afternoon and thus reduce usage of fan and oil heaters in evening." This was not uncommon amongst respondents, with many having to supplement their mains supply with solid fuel, fan heaters, or oil heaters.

Case Study: A client with dependent children, had a two year contract for LPG with a gas company during a period

in which she started receiving means-tested benefits. Consequently, she was unable to afford the monthly payments. Despite this, the gas company were not willing to reduce the cost per litre or allow her to have less than the 900 litres she was contracted to have delivered. In the absence of any social tariffs, the client could not afford to have any further deliveries and faced the winter months with no hot water or heating. Unexpected financial hardship is likely to be prevalent in the current economic climate, which calls for a more flexible approach to fuel payments from those markets which currently lack regulation.

How much does your fuel cost?

Mains gas supply can be a burden, particularly with unpredictable price volatility and myriad factors complicating how much people are expected to pay. Many people in our survey found mains supply was too costly to sufficiently heat their home, requiring them to seek out more short term alternatives. Some people also expressed anger that despite keeping up with payments, they were still subject to monthly increases in payments.

Some respondents found that their energy suppliers were unreasonable and unhelpful when they tried to contact them. Inflexibility on behalf of the company prevents consumers getting the best deals, and also means that they are often paying extra through no fault of their own. One respondent had moved into a house with a prepayment meter already installed and, when the company refused to remove it, were forced to pay more for their fuel.

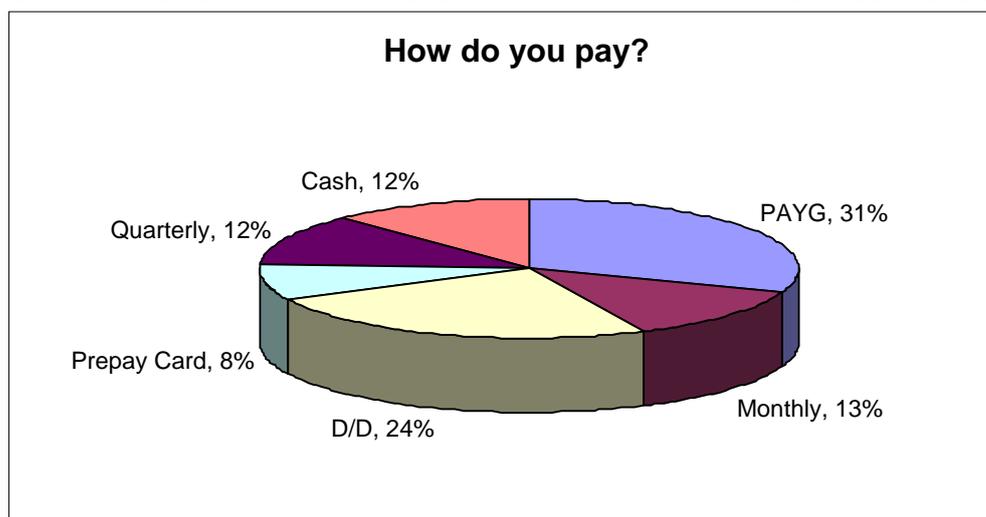
Those without access to mains supply suffer even greater unpredictability. Heating oil customers are often quoted a large range of prices which can vary quite markedly, dependant on supplier and or

amount ordered. Most companies charge rates inversely proportionate to the amount that is ordered. There is also great volatility in price, in a two month period during 2010 prices increased by almost 50%. People who order in bulk, by arranging to purchase oil at the same time as their neighbours, manage to get cheaper prices this way. In addition to this, heating oil companies often reward loyalty, adding further discounts. However, this endeavour can be incredibly time consuming and inconvenient, and might not be a viable option for most people. Where it does work, it requires a lot of effort from an individual to communicate with everyone and check when people need to order fuel. Where such a system is not in place, consumers may be expected to pay a premium for the cost of getting a fuel delivery to their area.

One respondent complained about the high price of LPG gas which they had been told was all sold by one supplier. They added that the cost is way over the cost of town gas and seems to go up monthly and were concerned that it appeared to be a monopoly with the company charging what they like; in this case, £98 for two 40kg tanks (Jan/Feb 2010).

How do you pay?

This is an important question, as the relative cost of fuel can vary greatly depending on payment method. The chart below shows the breakdown of payment method as given by respondents.



The majority of respondents (31%) said they used Pay-As-You-Go (PAYG) methods to purchase their fuel, whilst 24% paid by Direct Debit (DD). The still significant 12% by cash is likely to relate to those who buy alternative fuel, such as solid fuel and LPG.

PAYG or "pre-payment" is often more expensive than direct debit.³ This is largely due to the option of tariffs offered exclusively to Direct Debit customers, and discounts that can be achieved, for example, by managing your account via the internet.

Whilst PAYG and Prepayment are arguably more useful for budgeting, since there is an immediate connection

between the amount you pay and the fuel you receive, these methods for paying in advance present a number of problems. Firstly, it is possible for a person to run out of credit, and thus have their fuel supply cut off. If the person looks after dependant and vulnerable people, or lives in a rural

³ There are other concerns about Prepayment meters:- Some energy companies still charge for meter changes/keys/shop licences etc, though they are not allowed to charge more than it costs (approximately £94 per annum). Some companies say they are stopping charges but small print can show only for winter months. Clients (especially those in high turnover buildings such as RSL [Registered Social Landlords] tenants) need to check that the supplier has their details, and that they have not simply carried on paying under someone else's name and so may be also paying the previous tenant's debt. (Source Community Energy Plus, <http://www.cep.org.uk/>)

location, it may be difficult to top-up at short notice, and they may incur injurious transport costs in the process. Furthermore, whilst it is easy to see how much you are spending in the short-term, it can be difficult to make a long-term budget since usage and payment rates are likely to fluctuate on an almost weekly basis.

One respondent said that Prepayment was more expensive and discriminated against the poor, and that they were charged even more for running low and using the emergency credit.

Finally, when payment meters are reset, people may be required to pay substantial sums of money both through usage and through the recovery of arrears. Suppliers may also be late resetting the meter, which might push the user into debt if there has been an increase in the price of fuel.⁴

General Comments

There does seem to be a greater recognition of fuel issues in Cornwall, and they are being more widely discussed in the public sphere.

BBC Radio Cornwall has regularly interviewed Community Energy Plus⁵ as energy experts in the areas of fuel poverty and fuel debt. BBC Radio Cornwall's Laurence Reed, has also provided an opportunity for listeners to voice their concerns regarding the difficulties and complications of using heating oil, and costs incurred in trying to obtain it.

⁴ From 1 August 2007, OFGEM guidelines to suppliers state that electricity token meters should be reset within one month of a price change.

⁵ <http://www.cep.org.uk/>

The "Big Design Challenge"⁶, meanwhile, asked the members of the public in Falmouth: "How can we help the 45,000 people in Cornwall living in Fuel Poverty?" This event aimed to gauge public opinion on the issue of fuel poverty, and asked members of the public for fresh ideas on how to alleviate the issue.

It is possible that the severe weather conditions of the past few years are bringing the issue into the public eye, and this should be capitalized upon.

Furthermore, with other reports such as CAB Cornwall's "Remote Access"⁷, greater attention is being drawn to the problems presented by rurality, which will hopefully also illuminate the fuel concerns that arise from it.

Proposals

Firstly, it is important to ensure that people over 60 are receiving their full entitlement of benefits, which could be aided by greater publicity of what people might be able to claim. It is also imperative to continue the limited funding being directed to support fuel poverty alleviation, such as through Community Energy Plus.⁸

In addition to this, increasing awareness of the importance of measures to prevent heat loss might improve the situation for people. This includes advice about efficient and cost-effective insulation methods, as well as guidance on the best ways to heat your home where mains gas supply is lacking.

However, whilst it is important to ensure that people are aware of what they can

⁶ The "Big Design Challenge". Accessed on 14/12/10 at: <http://www.bigdesignchallenge.co.uk/falmouth-moor-market>

⁷ www.cabcornwall.org.uk click on CAB Cornwall Activities, and then Reports

⁸ <http://www.cep.org.uk/>

claim, and of the ways which they can prevent heat loss from their homes, there is much more that can be done to alleviate this problem. People who live with a mains gas supply can often apply for 'Social Tariffs' from their supplier, which must be offered to vulnerable consumers at a rate equivalent to that company's cheapest tariff.⁹ People receiving mains gas supply can also achieve concessions on their payments where, for example, they manage their account electronically via the internet or where they have been with a company for a long time and receive loyalty bonuses.

Perhaps then, such measures could be extended to the industries of non-mains fuel supply. The Office for Gas and Electricity Markets (OFGEM) is responsible for social tariffs offered on mains supply, but currently has no jurisdiction over the LPG market, but this does not mean that government organizations could not put pressure onto LPG and Oil Suppliers to take a greater account of their less well off consumers.

One further possibility could be the introduction of fuel tokens. These could be distributed by Government to those in the greatest fuel poverty as supplementary payments for those without access to mains supply. The Winter Fuel Payment¹⁰ already provides vital assistance to those of retirement age, but where rurality presents problems to people who have little power to do anything about it, further help should be provided.

⁹ Most people are unaware of social tariffs as they are only available through the big 6 energy providers and they do not have a duty to promote them.

The actual tariffs are very complicated and not easy to understand and are called by differing names all of which do not include the word 'Social' or 'Tariff'.

¹⁰ Community Energy Plus suggests that these are issued in vouchers for energy providers, instead of direct payments.

One respondent suggested that the government could bulk buy fuel at a lower cost, and distribute it to those most needy during especially cold periods. It is certainly an option worth considering, which could prove to be more cost effective than the current system of cold weather payments, whilst enabling the state to help those without mains fuel supply.

Furthermore, in a House of Commons debate, MP Sarah Newton identified that Cornwall Council had plans for a project involving feed-in tariffs.¹¹ Money earned from supplying renewable energy, such as wind farms and solar panels, could be used to help those in the county suffering the greatest fuel poverty¹². This should be closely monitored to see if it comes to fruition, particularly given the current spending cuts which may see proposals such as this one being dropped.

Acknowledgements

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Any feedback can be sent to CCAG at ccag@cabcornwall.org.uk or

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¹¹ Community Energy Plus have already trialled schemes using the feed in tariffs from renewable energy installations as in the Low Carbon Community Challenge Ladock and Grampond Road.

¹² Sarah Newton, MP for Truro and Falmouth, in a House of Commons Debate on 1/12/2010. Accessed on 7/12/2010 at: <http://www.theyworkforyou.com/debates/?id=2010-12-01b.889.0>