Chartered Institute of Housing (CIH) response to the Public Bill Committee call for evidence on the Energy Bill

Summary of our evidence

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. CIH is a registered charity and not-for-profit organisation with a diverse membership of people who work in the public and private sectors, both inside and outside of the UK. Many of our members work in the social housing sector, and we therefore have a specific interest in the impacts of new legislation for social housing residents as well as the public at large. We welcome the opportunity to submit written evidence to the House of Commons Public Bill Committee on the Energy Bill, and will focus our evidence on three key amendments that will strengthen the ability of the Secretary of State to protect vulnerable consumers in the energy market.

The Energy Bill is a necessary and welcome piece of legislation that, among other benefits, will enhance consumer protection and regulation in the energy market. It will do so at an opportune moment, with all consumers and vulnerable consumers in particular facing acute challenges in the energy market due to rising fuel prices and gaps in existing legislation. These challenges have arguably manifested more deeply in the social and private rented sectors. In February of this year, the Office for National Statistics (ONS) reported that between September 2022 and January 2023 renters had over four times the odds of experiencing some form of financial vulnerability, compared with those who own their home outright, and that renters were significantly more likely than other tenures to have had difficulty in affording their energy bills.

It is in this context that we ask the Committee to consider amendments that restrict the use of prepayment meters, improve energy efficiency in the private rented sector, and accelerate the smart meter roll-out to legacy prepayment customers. Specifically, the Committee should consider supporting:

- Amendment NC2 on the restriction of the use of prepayment meters
- Amendment NC41 on the introduction of minimum energy efficiency standards in the private rented sector
- Amendment NC1 on the smart meter roll-out for prepayment customers

We are asking that the Committee consider Amendment NC2, Amendment NC41, and Amendment NC1, and ensure that they are taken to a vote.

With regards to Amendment NC2, this new clause would allow the Secretary of State to restrict the use of prepayment meters, especially in relation to vulnerable consumers or where consumers are not aware they are being moved over to a prepayment mode. The Secretary of State does not currently have these powers, but they are necessary and urgent due to the evidence on the harms associated with forced prepayment installations and self-disconnections for vulnerable consumers. Social housing residents are particularly vulnerable to the harms associated with forced prepayment meter installations, and CIH believes that the evidence on these harms is strong enough for the Secretary of State to be given powers to restrict their use in future.

With regards to Amendment NC41, this new clause would require the Secretary of State to strengthen minimum energy efficiency standards (MEES) in the private rented sector (PRS). Our evidence shows that improving energy efficiency standards in the PRS is critical to several of the government's Net Zero, Levelling Up, and fuel poverty targets, as well as being imperative for the

health of renters living in cold, damp homes. The UK government previously consulted on proposals for revised MEES in the PRS in September 2020, but are yet to respond to the consultation. The updated MEES proposals were not addressed in the government's Powering Up Britain announcements, and nor have they been included in the new Renters (Reform) Bill. The original MEES consultation suggested that all rental properties be brought up to EPC Band C by 2028, and an amendment to the Energy Bill would therefore constitute the transition of existing government policy onto a statutory footing and effectively supplement the Renters (Reform) Bill.

Finally, with regards to Amendment NC1, CIH does not believe that prepayment meter installations should be banned outright. Rolling out smart meters to legacy prepay customers could lead to significant benefits to households, as well as to the energy retail industry, the economy, and wider targets to cut carbon emissions. Evidence suggests that the smart meter roll-out would also have concrete benefits for the social housing sector and its residents.

CIH consequently believes that Amendment NC2, Amendment NC41, and Amendment NC1 are necessary amendments to the Energy Bill and asks the Committee to ensure that they are taken to a vote.

Detailed evidence

Amendment NC2 on the restriction of the use of prepayment meters and Amendment NC1 on the smart meter roll-out for prepayment customers

With regards to Amendment NC2, this new clause would allow the Secretary of State to restrict the use of prepayment meters, especially in relation to vulnerable consumers or where consumers are not aware they are being moved over to a prepayment mode. The Secretary of State does not currently have these powers. However, CIH believes that introducing Amendment NC2 is a necessary step for enabling the Secretary of State to restrict prepayment meter installs in future, especially in the wake of recent events.

Analysis by Citizens Advice found that in 2022, 3.2 million people were cut off from electricity supply because they could not afford to top up their prepayment meter. Disconnection was found to be at least a monthly occurrence for approximately 2 million people, and nearly 18 per cent of households who ran out of credit on their pre-payment meters went on to spend two days or more without any energy supply, leaving them unable to turn the heating on or cook a hot meal. Investigations by the i Paper and The Times revealed that energy firms were not following the rules set out to protect vulnerable customers from being forced onto prepayment meters. As a result, a temporary moratorium was placed on forced prepayment meter installations. Following a review by the energy regulator, Ofgem, energy companies have recently signed up to a new voluntary code of conduct designed to govern the forced installation of prepayment meters.

However, **evidence of the links between self-disconnection, vulnerability, and forced prepayment meter installations strongly suggests that Ofgem's code of practice is inadequate for protecting vulnerable energy consumers from harm**. Ofgem's code is premised on a tiered risk system, which classifies vulnerable consumers into two groups. The first group is defined as 'high risk', which means a prepayment meter should not be installed, and the second group is defined as 'medium risk', which means suppliers must undertake further assessments on a case-by-case basis to determine whether a prepayment should be installed.

It is unlikely that this will offer adequate protection to vulnerable energy consumers because it leaves open the possibility of continuing forced installations in the homes of 'medium risk' groups.

Strong evidence exists on the links between negative health consequences of self-disconnection and the vulnerability of groups defined by Ofgem's code as 'medium risk'. To take only three examples:

- Ofgem's code defines "*serious mental/developmental health conditions (such as clinical depression, Alzheimer's, dementia, learning difficulties, Schizophrenia)*" as medium risk. There is considerable evidence that there is an association between fuel deprivation and mental ill-health, especially for parents of young children, and some evidence that a lack of access to adequate energy services (e.g. heating, lighting, cooking) has detrimental impacts for children and families with autism.
- Ofgem's code defines "*children under 5*" as medium risk. The prospect of self-disconnection and fuel poverty among households with children under 5 has established links to the development of respiratory ailments, and there are broader links between cold temperatures and dietary deficiency. Children living in cold homes are also more likely to miss days at school or be unable to complete homework if they live in a cold or underheated home.
- Ofgem's code defines "*other serious medical/Health Conditions (such as neurological diseases (Parkinson's, Huntingdon's, Cerebral Palsy), respiratory conditions (COPD) and mobility limiting conditions (Osteoporosis, Muscular Dystrophy, Multiple Sclerosis))*" as medium risk. All of these conditions would be exacerbated by being unable to heat and power a home during periods of self-disconnection.

This evidence is therefore sufficient to show that there is a serious risk of harm or detriment from an eventual likely self-disconnection in every group defined as 'medium risk' by Ofgem's code. Forced prepayment meter installations should therefore not be undertaken in the home of any consumer that the code defines as high or medium risk. However, Ofgem's code leaves open the possibility of forced prepayment meter installs in the medium risk group, not least because it is a voluntary agreement, which undermines its objective.

Furthermore, as a membership body with a high number of members working in the social housing sector, **CIH has specific concerns that Ofgem's voluntary code of practice could lead to an increase of the number of forced prepay installs undertaken in the homes of vulnerable social housing residents**. Approximately four in ten social rented homes are fitted with a prepayment meter, and evidence gathered by one housing association suggests that as much as 18 per cent of these may have been forced installations to recover debt. We are concerned that this may increase because a disproportionate number of social housing residents fall into Ofgem's 'medium risk' category. Specifically, data from the English Housing Survey shows that greater proportions of vulnerable groups live in social housing compared to other tenures. In 2020 and 2021:

- 55 per cent of social rented households had at least one occupant with a long-term illness or disability, compared to around 30 per cent in owner occupied or private rented homes.
- Social residents are more likely to be financially vulnerable, with half in the lowest income quintile and 7 in 10 residents having no savings, compared to 2 in 10 owner occupiers and around 45 per cent of private renters.
- Social housing residents are more likely to be lone parents with dependent children.
- More than one quarter of social renters are aged 65 or over.

In addition, research undertaken by the housing association Peabody highlighted that prepay residents were nine times more likely to have borrowed from a short-term lender specifically to pay for energy bills. This underlines the need for conditions such as that currently included in

Amendment NC2, which notes a possible requirement for energy suppliers to not install a prepayment meter if access to a recognised debt counselling agency has not been offered.

In sum, Ofgem's voluntary code of practice is not sufficient for protecting energy consumers, particularly those who are defined as vulnerable and/or living in social housing, from the harms associated with forced prepayment meter installations. The evidence is such that the risks of forcibly installing prepayment meters in the homes of vulnerable consumers outweigh any possible benefit, either to the consumer or the energy supplier. **CIH therefore asks the Committee to consider Amendment NC2 and ensure that it is taken to a vote**. This will give the Secretary of State the powers to restrict forced and harmful installations of prepayment meters in the future, especially if Ofgem's voluntary code of conduct proves, as is likely, to be inadequate for preventing harm.

However, CIH does not believe that prepayment meters should be banned outright. Research suggests that when they are requested, they offer advantages to households generally and social housing residents specifically, especially smart prepayment. Research published by National Energy Action in 2021 concluded that there are "*16 significant benefits to rolling out smart meters to prepayment households, with a lifetime benefit of over £5bn to households and more than £1.4bn to energy suppliers, facilitating a reduction in 0.2TWh/ year in gas use, and 0.41TWh/year in electricity use, amounting to 130,000 tonnes of CO2 saved per year, while contributing 10,000 jobs to the economy*." Research published by Peabody has also emphasised that legacy prepayment meters present significant challenges for social landlords seeking to remove debt from a meter ahead of a home being relet to a different resident. This research concluded that "*smart prepayment meters alleviate this problem to some extent since debt can be wiped remotely, speeding up the lettings process*", and that it also makes it easier for new residents to make their own informed choice on whether they would like to use prepay or switch to direct debit.

As a result, **CIH is also asking that Amendment NC1 is considered by the Committee**, through which the Secretary of State would ensure that all legacy prepayment meters are replaced with smart meters before the end of 2025 and introduce legislation to provide for an end to the practice of self-disconnection. **We ask the Committee to ensure that Amendment NC1 is also taken to a vote.**

Amendment NC41 on the introduction of minimum energy efficiency standards (MEES) in the private rented sector

With regards to Amendment NC41, this new clause would require the Secretary of State to strengthen minimum energy efficiency standards in the private rented sector (PRS). CIH believes that there are at least five reasons why this amendment should be considered by the Committee and taken to a vote. These reasons are in relation to 1) Net Zero, 2) energy affordability, 3) health, 4) Levelling Up, and 5) because it is already government policy.

Firstly, **delivering energy efficiency in the PRS is a key pillar in meeting the UK's targets to reduce emissions from existing homes, and thus Net Zero**. This includes its targets to a) reduce emissions by 78 per cent by 2035; b) reach net zero by 2050; and c) achieve the UK's energy demand commitment of 15 per cent reduction across buildings and industry by 2030. To do this, the Climate Change Committee's Balanced Net Zero Pathway for buildings sees all rented homes achieving an Energy Performance Certificate of C or above by 2028, and it also noted in 2022 that government should "*deliver the legislation for energy efficiency improvements in the private rented sector as proposed*." Continuing delay in the implementation of MEES is therefore negatively affecting the

UK's legally binding climate change targets, and the opportunity should be taken to introduce this through the Energy Bill.

Secondly and relatedly, **MEES in the PRS are central to addressing energy affordability in the sector and meeting government's statutory target of all fuel poor homes reaching EPC C by 2030**. There are approximately 4.6 million PRS households in the UK, and at least a quarter of those households are living in fuel poverty. Approximately 630,000 PRS homes had an EPC rating of E, F or G in 2022, and the average fuel poverty gap, defined as the reduction in fuel costs needed for a household to not be in fuel poverty, for these homes was £1,183, higher than any other tenure. In other words, PRS residents in the least efficient homes live in the deepest fuel poverty of any tenure. Private renters are most susceptible to rising energy bills not just because of the relative inefficiency of their homes, but also because of their lower-than-average household incomes and their lack of autonomy over energy suppliers, tariffs, building fabric and heating systems. Research suggests that PRS residents in the least efficient homes are paying as much as an additional £950 per year compared to the average, and that implementing new energy efficiency standards would save the average resident £570 per year, producing aggregate savings of £1.75bn.

Thirdly, **there is an established link between poor energy efficiency in the PRS and negative health outcomes for residents, especially with regards to damp and condensation, and this would be partly addressed by the implementation of MEES**. Statistics from DLUHC's latest English Housing Survey note that at least one in five PRS homes are classified as non-decent. With specific regards to damp and condensation, the English Housing Survey also concludes that problems with damp were most prevalent in the private rented sector, with 11 per cent of dwellings having reported a problem in 2021. It is worth noting that the 2020 English Housing Survey commented that "*the number of homes with damp was similar in 2010 and 2020*", a statement that is likely to remain true in 2023.

The harms of damp and condensation are well-established, especially when leading to mould growth. Previous research found that damp and mould are associated with a 30 to 50 per cent increase in respiratory problems, with asthma sufferers twice as likely to live in damp homes than people without the condition. Young children and older people are particularly at risk of this sort of respiratory ill-health, and there is growing evidence that damp is also associated with fuel poverty, mental ill-health, social isolation, and stigmatisation. Recent changes to household working and habitation patterns triggered by the Covid-19 pandemic have also exacerbated the relationship between damp and health in complex ways, especially among private renters forced to spend more time in overcrowded properties. Lastly, evidence increasingly points to the conclusion that health issues caused by cold housing disproportionately impact disadvantaged groups, especially households with long-term illnesses and disabilities, and non-white households. Poor health and energy inefficiency in the PRS is consequently an issue of racial and social justice.

This is critical because there is considerable evidence that poor energy efficiency contributes to non-decency, damp, and associated health issues in the PRS. For example, recent research by Citizens Advice showed that renters in homes with an EPC D-G were 73 per cent more likely to experience damp than those with an EPC of A-C. The Independent Review of Net Zero also noted the link between poor energy efficiency and days spent off work with illness, which has negative consequences for the NHS and economic productivity. On the other hand, one recent academic review of the health benefits of energy efficiency retrofits concluded that "*dampness and mould, usually based on occupant's reports, almost always decreased after retrofits*." Introducing MEES in the PRS is therefore an essential move to address the health issues associated with inefficient PRS homes, and as noted above, partly address racial and social inequalities in health outcomes.

Fourthly, **introducing MEES in the PRS is likely to contribute to the government's Levelling Up agenda**. Recent statistics published by the ONS demonstrate that private rental homes in the North West, North East, Yorkshire and Humber, and East and West Midlands have lower median energy efficiency ratings compared to other regions of England. Analysis by CIH of energy efficiency and deprivation statistics also shows over half of the top 50 deprived Local Authorities in England have worse than average energy efficiency in the PRS.[1] As a result, the negative health consequences of energy inefficient private rental homes, including costs to the NHS, more sick days, and decreased productivity, are likely to be more marked in those areas that are crucial to the government's Levelling Up agenda.

In parallel, this also means that the economic impacts of improving energy efficiency in the PRS will occur to a greater extent in the most deprived parts of the country. CIH analysis of ONS statistics show that private rented homes in the top 50 deprived Local Authorities could be improved by an average of 17 SAP points. Evidence shows that reducing the running costs of low-income homes by installing energy efficiency measures leads to greater household spending in local economies. This was recognised by the Independent Review of Net Zero, which concluded that "*measures focused on low-income households boosts demand in the economy more than if measures are targeted at average income homes […] because those on low incomes are more likely to spend a larger proportion of any additional income in their local communities, while higher earners are more likely to invest overseas or to put money into savings*." PRS residents tend to have lower household incomes than the average, with DLUHC's latest English Housing Survey reporting a PRS median household income of £19,664, compared to a national median of £25,641. Setting MEES in the PRS is therefore likely to lead to greater spending in local economies by PRS residents, contributing to the government's Levelling Up agenda and boosting prosperity in the most deprived parts of the country.

Finally, **improving MEES in the PRS is already government policy.** In 2020 the government consulted on improving energy efficiency standards in the PRS. The core policy proposal in this consultation involved raising the minimum energy performance standard to EPC Band C (from EPC Band E, the current minimum), and implementing this for all tenancies by 2028. However, the transition of this policy into law has been consistently delayed, exacerbating the negative impacts of inefficient private rental homes and holding back the government's Net Zero and Levelling Up ambitions. The prospective inclusion of Amendment NC41 within the Energy Bill is therefore an unmissable opportunity to realise the benefits of improving the energy efficiency of private rental homes.

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[1] CIH is happy to share the underpinning data and analysis for this evidence on request.