

Response to the Scottish Government consultation on the Public Energy Agency

Response from

Energy Action Scotland

Author

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Responses to Questions

1) What is needed to achieve the transformational change that is necessary for heat decarbonisation in Scotland?

Energy Action Scotland's response is within the context of a fair and just transition where Scotland addressing and meets its statutory obligations for a reduction in fuel poverty. We believe that addressing the root causes of fuel poverty will contribute significantly to decarbonisation of domestic energy. Where that is combined with or migrated to low/zero carbon heating and ensure that there is no economic detriment to households then we believe that is a solution worth pursuing.

The Heat in Buildings Strategy (HiBS) has set out a pathway to achieve highly energy efficient and zero emissions (from heat) buildings. The pathway identifies targets and workstreams to put the necessary policy, incentives, and delivery infrastructure in place. We are concerned that the interactions with other areas of policy and strategy are not sufficiently coherent. HiBS recognises the potential for conflict with Fuel Poverty Strategy and indeed vice versa. However, it is not clear how a resolution for this potential will be practically achieved.

Fuel Poverty rates are climbing dramatically because of market instability and the increase of wholesale gas. This looks set to endure for some considerable time. With over 1 in 3 households in Scotland in fuel poverty come 1 April 2022 it is important that a national energy agency clearly states its purpose in relation to reducing fuel poverty and how it will ensure that the potential for conflict with the pursuit of a low carbon future do not exacerbate or deepen fuel poverty. This is particularly true of vulnerable people and for the lowest income households in Scotland and in geographic locations such as remote and rural Scotland where there is a considerable inequality of experience of fuel poverty.

The Government and its agency need to balance the current and very real energy crisis and the impact that it is having on the people of Scotland with medium and long-term goals.

The main areas that must be addressed to achieve transformational change are:

- Duties to cutting across policy areas to protect vulnerable and low-income households for detriment as a result of the pursuit of potentially conflict policy or operations
- Greater public awareness and engagement.
- Investment in training, reskilling, business development.
- Enhanced package of measures to accelerate demand (regulation, incentives, advice).
- Ensure that the much-delayed deployment of Local Heat and Energy Efficiency Strategies have full policy alignment across connected areas with independent scrutiny
- There is a robust and resilient approach to quality assurance and consumer protection.

2) How can the new dedicated Agency best support this change programme?

We welcome the government's proposal for a National Public Energy Agency. We are disappointed that there appears to have been little consideration given prior to the consultation on the form and nature of the agency. Nonetheless there is an opportunity to contribute to shaping its future which we welcome.

One of the key aspects of establishing a new agency is being clear in its remit and not to add confusion on where responsibilities and accountabilities lie. With much of UK energy policy reserved to Westminster and the UK Parliamentary process the agency needs to be clear where it can sit in this landscape. Indeed, within the existing devolved landscape there is arguably a case for that being even more important.

Consumer Scotland is due to commence operations from 1 April 2022 and it has statutory responsibilities for energy and consumer issues. The National Public Energy Agency needs to sit well in this landscape and with other areas including planning and housing.

There is real potential to improve outcomes for Scotland if our successful programmes in areas such as fuel poverty are increased, efficiencies achieved and where quality and consumer confidence is underpinned by strategic oversight. These physical improvement programmes such as Warmer Homes Scotland, Area Based Scheme or the Energy Company Obligation are all working towards a single strategic goal greater integration arising from greater strategic direction can ensure that there is a greater impact benefiting the households supported.

HIBS describes the ambition of the transformation of domestic property yet there is a clear gap between that ambition and the levers and resources to enable it to happen within the timescales stated. The National Energy Agency needs to provide a valuable role to enable a narrowing of that, ambition and reality, for it to be of benefit.

The Agency should:

- **Have a clear strategic role in the governance of the Heat in Buildings Strategy** including having its own targets and adopting just transition principles with clarity over how this work complements and adds value in other policy areas.
- **Manage the delivery infrastructure:** We have a track record in Scotland of delivery good programmes, but they have been at a scale that is insufficient for the journey ahead. Procuring goods and services should be a key role for the agency
- **Support local authority strategy and local delivery** Working with local authorities who are best placed to understand local circumstances, engage with their citizens, and set up local partnerships.
- **Provide/support shared expertise,** data, research to facilitate the completion and implementation of Local Heat and Energy Efficiency Strategies (LHEES) and the development of business cases for retrofit and heat networks.
- Have a **clear role in redress** should it be required: Poor performance will undermine public confidence and impede the progress necessary. It is important that the agency has a role to play ensuring swift redress.

The Agency needs to work with a wide range of organisations responsible for the existing and extensive programmes aimed at tackling poor energy performance, climate change and fuel poverty. It should lead in the development of new policies and programmes across a wide range of specialist areas, from building standards, heat network development, and low-carbon heat technologies.

3) What are the opportunities and challenges for delivery presented by this agenda, and how might these best be overcome through the Agency?

The Agency must play a strategic and connecting role in this landscape. It must add real and demonstrable value. Funding for its activity needs to be secured across a significant period avoiding the short term 'start stop' approach that has limited the effectiveness of previous programmes.

The greatest challenge here is the lack of any detailed prior development work and that to mobilise it with all the necessary interconnections necessary is a considerable challenge within the current timescales for NetZero and Fuel Poverty.

It is best overcome by creating a clear core purpose and set of principle activities rather than developing an expansive agenda from the outset.

Where other organisations/institutions/agencies have remits they need to be supported to deliver these better. The National Energy Agency can lead in that endeavor whilst establishing a clear core purpose. Overtime the agency may expand as circumstances allow.

4) Based on the proposed purpose, remit and objectives of the dedicated Agency, do you have any evidence, or insights based on experience, that demonstrate the need and potential added value of a new public body of this nature in the heat decarbonisation delivery landscape?

We are a member of the Existing Homes Alliance and support the work it did in 2018¹ Based on its findings from the international literature, we believe coherent governance includes the need for:

- a legislative framework which lays out the components of the strategy including targets.
- an agency formed by statute with responsibility for oversight and ensuring delivery, and provided with adequate independence, authority and capacity.
 - responsible for delivering a clearly defined set of activities,
 - adequately resourced with well qualified staff and finances,
 - independent of government, given legitimacy via statute
 - overall responsibility to rest with a single senior official, preferably a Cabinet Secretary or Minister.

5) Are you aware of any case studies – UK or international – or research that can help inform design of a new public sector delivery body to ensure it is able to delivery effective outcomes, and to be consumer focused across its operations? What do you think are some of the key factors that need to be built into the strategic framework – and corporate design – of the new body to best enable this?

We would cite the Danish Energy Agency and the Swedish Energy Agency as effective examples of such a public sector delivery bodies. Further useful information can be found in the Existing Homes Alliance report in 2018.

¹ <http://existinghomesalliancescotland.co.uk/information/energy-efficient-scotland-options-for-national-oversight-body/>.
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6) What tools and support will the dedicated Agency need in order to effectively establish leadership and coordination of heat decarbonisation in Scotland?

The agency requires to be evidence led if it is to have credibility. The biggest issue in this space is the data available to it or that can be collected by it.

It requires to identify the relevant data sets that exist and create a map and plan to ensure that there is robust Scotland data to enable it to develop and mobilise its plans.

To do this it will need adequate, long-term funding for the agency and sufficient autonomy for independence in decision making.

We are concerned that there may be insufficient skilled and expert staff available to lead and deliver the work of the agency. It is unclear where these skilled and knowledgeable people will be recruited from.

The energy sector is competitive, as are salaries within it. Many companies in many sectors are facing recruitment issues and there will need to be a concerted effort to ensure that the capacity of the agency is adequate for the ambitions that will be expressed for it.

7) Do you have any evidence, or further insights regarding the potential added value that the functions set out can deliver within the heat decarbonisation landscape? This may include both examples of where these types of functions have, or have not been conferred on a national body as part of leading a programme of delivery and change, and the resulting implications (positive or negative).

It is very difficult to respond to this question given that the functions, and indeed the nature of the proposed agency, have yet to be defined and detailed.

However, a clear duty and set of principles to enshrine a balanced social, economic and environmental approach are required from the outset. The reduction of inequalities and reducing fuel poverty in Scotland must be core the purpose of the agency.

The values of the agency need to be clearly articulated to ensure that a positive culture is developed.

8) Do you have any evidence, or case studies that demonstrate the effectiveness or not of new regulatory standards being enforced at a national versus local level? This may include international comparisons.

We are aware that there is considerable learning to be had from the operation of the Danish Heat Supply Act² which has facilitated a shift away for higher carbon heating systems whilst ensuring that there is no detriment to households.

² https://www.energybrokers.co.uk/wp-content/uploads/2015/10/Danish_Heat_Law_2000EN1.pdf
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9) Are you aware of any existing, or previous, public bodies that exercise both an advisory and regulatory role within the same organisation – and how this dual remit has been translated at an operational level to avoid any risks relating to conflicts of interest, governance and lines of accountability? This may include examples from the international landscape, and/or UK context.

The Scottish Government agencies including SEPA and Nature Scot both have statutory/regulatory function which delivering advice, guidance, and public education as part of their work. However, it isn't clear at this stage what the mix of functions would be in relation to the new energy agency.

There are other models to consider including a development only body, arm's length, independent of government but created or funded by it. Bodies such as Zero Waste Scotland operate in this manner. Entirely publicly funded but with a non-regulatory remit but with a policy and strategy enabling purpose.

However, it seems clear that the nature of the energy agency is closer to that of Scotland's environment protection bodies in potential scope and purpose.

10) Are you aware of any case studies, or recent research that considers the opportunities and challenges of establishing a public sector body that is tasked with programme delivery functions on a statutory footing?

Energy Action Scotland believes the Agency should be an independent, statutory body. It should be responsible for oversight and coordination of the implementation of the Heat in Buildings Strategy with a clear read across the other policy areas including the national Fuel Poverty Strategy 2021.

11) In terms of potentially establishing the dedicated Agency on a statutory footing as part of future proofing it to be able to take on any new functions or responsibilities as heat decarbonisation delivery progresses over the coming decades, are there any other considerations related to this that you think we need to be aware of and why? This may include, for example: upcoming evidence and research, other strategic policy developments and targets, wider industry and sector led developments in the heat and energy efficiency landscape or related delivery areas.

No comment

12) Who will the Agency need to work closely with in order to best facilitate delivery of the transformational change required, and how do you think this should work in practice?

- Scottish Government directorates– to inform and advise on policy development and report on outcomes
- Local authorities – development and implementation of LHEES. Also potential for local authority energy services companies for large scale retrofit including all tenures – achieving economies of scale and using ABS expertise.
- Enterprise Agencies – development of business cases for large scale retrofit/decarbonisation of heat programmes.
- Scottish National Investment Bank
- Thirds sector specialist organisations (national, local and community)
- Social housing landlords – for delivering large scale area-based retrofit schemes.
- UK Government – to make the most of synergies with UK policy, programmes, and funding arrangements, and avoid potential conflicts or confusion.
- Supply chain – trade bodies, colleges, training providers
- Technical professional service providers, planners, architects etc

- Energy Networks Operators, national strategic infrastructure to local heat network providers
- Energy Suppliers
- Private sector Landlords and their tenants
- The public more generally and advocacy agencies for those unable to best represent themselves

13) Are you aware of any case studies that demonstrate (in)effective partnership working by a public body to coordinate a broader delivery landscape to achieve a shared goal? What lessons can be taken from these examples?

Local area-based scheme, energy efficiency programmes have brought about many productive and valuable local partnerships been local authorities. This include positive relationships in areas including the Western Isles (Council and Tighean Innse Gall), Fife (Council and the Cosy Kingdom partnership), Argyll and Bute (Council and AliEnergy) to provide three examples.

14) What role do you see your organisation playing in relation to the Agency once established?

Energy Action Scotland is a charity with almost 40years experience in campaigning for the elimination of fuel poverty. We have a strong and established membership of over 150 from charities, housing providers, local authorities, energy networks, energy suppliers, energy efficiency contractors, academics and individuals.

We believe we can provide:

- Valued stakeholder engagement: We provide constructive challenge to Scottish Government, holding ministers and officials to account, and providing practical solutions. We have served on government working groups and task forces, and we are often asked to give evidence to parliamentary committees.
- Credible research to inform policy development: over many years we have helped inform and shape the domestic energy landscape in Scotland. We deliver training to build the skills and capacity of the advisory sector, professional services in areas such as EPC and project delivery to support the most vulnerable.
- Awareness raising and consensus building amongst parliamentarians: we work with all political parties to develop a strong cross-party consensus in favour of ambitious action to reduce emissions from the housing sector and to eradicate fuel poverty.
- Dissemination: We hold regular events including a national conference, produce briefings, meet with parliamentarians and work closely with similar organisations elsewhere in the UK and abroad.

15) What role do you see for your organisation during the development process of the Agency, and do you have any examples of the type of collaborative approach to design of a new public body or delivery programme that you would like to see implemented? What lessons can be taken from these?

Energy Action Scotland hopes to continue its role as a valued stakeholder as noted above in the development of the new Agency. We are keen to learn how we can share our expertise and networks in ways that are most useful to officials, Ministers, and parliamentarians so that Scotland develops exemplar energy efficiency and heat policy and programmes which deliver results for the people of Scotland.

We and our members already contributing to task forces or short-life working groups, including cross party groups, Scottish Government Commissions as well as strategic engagement with the energy sector more widely.

16) What types of approaches to civic participation do you think could work most effectively in supporting development of the dedicated Agency, and why? How can these be best implemented to work alongside wider stakeholder engagement? Please provide any examples, or case studies you may have to support your response.

We support the use of deliberative approaches such as that used for Scotland's Climate Assembly to help inform the work of the Agency, particularly in areas of public engagement, regulation, and customer journeys. There are already plans for co-design of just transition plans for each sector. Some of this work could already help inform the development of the Agency. The Climate Assembly has shown the value of closing the 'information gap' to help citizens engage meaningfully in designing policies to meet Scotland's goals on a just transition to net zero. One of our team has firsthand knowledge of the participative process and they have been impressed by the way that this has worked during the time of COVID 19 restrictions.

17) Other than those listed, are there any other specific functions that you think the virtual Agency should be tasked with delivery ahead of the dedicated Agency, and why? If you have any supporting evidence that demonstrates the potential added value – or make clear the current gap in delivery – of such a function pre-regulations, please provide.

We welcome the approach to establish a virtual agency to pave the way for a dedicated agency with a statutory footing. However, we are concerned that given high rates of fuel poverty caused by a crisis in our energy system, it will be essential to understand how the virtual agency can scale up and accelerate delivery of retrofit and heat decarbonization. The time for pilots and demonstrations is long since over. As the Heat in Buildings Strategy sets out, we already know the 'destination' and should be moving swiftly to support action in the following areas:

- Rural transition package for low and no regrets solutions in off-gas areas
- Resource local authorities to complete high quality LHEES in 2022 and start implementing those that are already complete now.
- Early introduction of regulations to provide long foreshadow and encourage voluntary compliance
- Design desirable customer journeys for different target audiences with advice, finance, and specialist support.
- 'no detriment' for fuel poor households is achieved through well-designed whole house retrofits and zero emissions heating, and supplementary financial support.

Given the need to scale up, we recommend that more resources are put towards the virtual agency to oversee these responsibilities. It needs to have the capacity to do so. It needs to consider what the implications are of a rapidly increasing cohort of fuel poor and extreme fuel poor households. With a 43% increase in fuel poor households identified by Scottish Ministers in Feb 2022 it isn't clear what the impact of this on the eligibility and budgets of energy efficiency programmes.

18) Do you have any examples, or insights based on experience, that demonstrate the potential added value of an "interim" delivery body in advance of a dedicated public body, and how this can best be achieved?

No comment

19) Do you have any examples, or insights based on experience, of effective change management practices relating to a public sector initiative that required a shift in the existing national and/or local delivery landscape, managed over time? What lessons can be learnt?

No comment

20) What do you see as the key steps, and/or considerations that will need to be reflected in the transition Route Map, and why?

Perhaps the key consideration here is achieving the necessary knowledge, skills, and experience necessary to deliver it. It isn't clear what the current capacity is nor how, confidently, an agency will emerge from a virtual existence to full function.

In developing the agency, it is essential to; build on existing good practice and delivery infrastructure; developing a solid foundation with a clear purpose; and deliver clear and unambiguous messages to the public and business alike.