



Mike Hedges AM  
Chair of Climate Change, Rural Affairs and Environment Committee  
National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF99 1NA

3 March 2020

Dear Mike,

Thank you for your letter of 14 February, regarding the questions not reached by the committee during the inquiry into fuel poverty evidence session attended by Julie James AM, Minister for Housing and Local Government and myself on 13 February.

## PRIVATE RENTED SECTOR

### **What are your views on the suggestion from stakeholders MEES for the private rented sector should be increased from EPC Band E to EPC Band C (or above)?**

The Minimum Energy Efficiency Standards (MEES) imposed on the Private Rented Sector (PRS) are set by Regulation by the UK Government. The Regulations mean since 1 April 2018, private landlords may not let domestic properties on new tenancies to new or existing tenants if the EPC rating is F or G (unless an exemption applies). From 1 April 2020, the prohibition on letting EPC F and G properties will extend to all relevant properties, even where there has been no change in tenancy.

The Welsh Government recognises an increase from EPC Band E to C is ambitious and the implications to the Private Rented Sector will need to be fully considered. Increasing the minimum standard to Band E required major improvements to some rented properties. If the minimum standard is extended further to Band C, it could result in cost savings and reduce environmental impacts. The cost in doing so for landlords and the potential negative impact on the Private Rented Sector (PRS), however, will need careful consideration.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

**Other than MEES and the Warm Homes Programme, what arrangements are in place to encourage and/or incentivise private landlords to improve energy efficiency of their properties?**

The MEES Regulations are enforced by local authorities, who have a range of powers to check and ensure compliance. In Wales, this function is performed by Rent Smart Wales. The Welsh Government has provided funding to Rent Smart Wales to identify all rented properties in Wales either without an EPC, or with an EPC rating of F or G.

Once identified, the owners of these properties will be contacted by local authorities with the offer of potential assistance through NEST or other schemes, such as the Energy Company Obligation (ECO) Scheme. Landlords will be reminded enforcement action may follow if improvements are not made. Unlike England, through Rent Smart Wales, targeting of landlords of homes in the PRS to encourage improvements to the energy efficiency of their properties is made possible.

In addition to support funded by Welsh Government, National Grid and Community Interest Company, Affordable Warmth Solution have established a £150m Warm Homes Fund designed to support local authorities, registered social landlords and other organisations to address some of the issues affecting fuel poor households. The maximum funding available per gas boiler (combi boiler A rated) installation, for example, is £2660. Rent Smart Wales prioritises the most inefficient homes and blends Warm Homes Funding with ECO to support the installation of gas-powered central heating systems.

## **MONITORING AND EVALUATION OF THE 2010 STRATEGY**

**The 2010 Strategy set out the Welsh Government's intention to develop a Monitoring and Evaluation Plan for the strategy. Was this taken forward?**

The Welsh Government published an evidence plan to accompany the publication of the Fuel Poverty Strategy 2010. The evidence plan can be downloaded by visiting <https://gov.wales/sites/default/files/publications/2019-06/fuel-poverty-evidence-plan.pdf>

## **RURAL AREAS**

**What is the Welsh Government doing to reduce reliance on expensive fossil fuels, such as oil, in rural areas? How do you support households cannot access a mains gas supply to be able to access alternative affordable heating options?**

Oil remains one of the lowest cost fuels for providing space and water heating in off-grid areas. Its continued use, however, undermines our wider efforts to decarbonise housing in Wales. This demonstrates the tension between our efforts to tackle fuel poverty and the need to decarbonise housing in Wales. Spending caps applied to the Warm Homes Programme schemes are, however, more generous in lower energy efficiency rated homes in off gas grid areas.

The maximum permitted investment in a single home through the Warm Homes Programme is £12,000, applicable to the worst energy efficiency rated homes in off-grid gas areas. By comparison, the lower maximum permitted investment of £5,000 is available for higher efficiency rated homes in on-grid areas.

There are some cases, however, where the Welsh Government will consider and if appropriate, approve measures costing more than the cap currently permits. Affordable alternatives to oil fired central heating in areas off the gas grid are limited. Electric heating, whilst efficient, is comparatively expensive to run, especially in homes which are less thermally efficient. The cost of installing external or solid wall insulation to improve thermal efficiency of larger homes can be costly, but can significantly reduce the energy needed to maintain a satisfactory heating regime.

Improvements in insulation techniques making retrofit less expensive, together with advances in air source heat pumps and hybrid heat pump technology could offer a solution in the future. Advances in solar PV and battery storage technology, together with local energy generation using renewable energy technology are areas requiring further exploitation. I have set clear targets to increase the amount of renewable energy generated by and for local communities, including in rural, off-grid areas.

## **SPENDING CAPS**

**Can you clarify whether and how spending on energy efficiency improvements for a household under Nest and Arbed could exceed the agreed spending caps?**

Under the terms of the contracts awarded under the Warm Homes Programme Nest and Arbed schemes, agents can apply to the Welsh Government to make home energy efficiency improvements, which exceed the specified spending limits. Since the start of Arbed 3 and Nest 2 in 2018, approximately 214 homes improved under the Arbed Scheme and three homes under the Nest Scheme have been approved for investment levels above the financial limits.

**Are you aware of any cases where projects or households have not been able to proceed because the caps have been exceeded?**

Home energy efficiency measures available through the Warm Homes Programme are offered based on recommendations following a whole house assessment. The Welsh Government is not aware of any applicants to the demand led Nest scheme, who have not been offered support because of the applied spending limits per property. In developing projects suitable for delivery on an area wide basis under the Arbed scheme, the spending limit applied to each property is a factor when assessing whether a project is financially viable. In some cases, projects developed by Arbed Am Byth may not have proceeded because the energy efficiency improvements possible within the available funding do not provide sufficient energy savings.

## **DECARBONISATION**

**The majority of interventions under Nest are boiler replacements. Are you concerned about the compatibility of this with your decarbonisation ambitions?**

It is correct to say the vast majority of home energy efficiency measures installed through the Nest scheme are new or replacement boilers. For many homes, the replacement of old boilers with new, more efficient condensing boilers is an effective way of reducing both energy bills and carbon emissions. Work is ongoing to decarbonise the gas grid, which will also support efforts to reduce carbon emissions. Gas is recognised as having a part to play as we transition to our 2050 decarbonisation targets.

## **IN-HOUSE ADVISORY SERVICE**

### **Can you provide further information on the in-house advisory service available through Nest, including the extent to which this service is available and used?**

Since 2011, Nest has provided advice to more than 129,000 people on how they can improve the energy efficiency of their homes. Under the terms of the current Nest Contract awarded to British Gas in 2018, in home energy advice is provided for households eligible for home energy efficiency measures available under the scheme. People who are not eligible for home energy efficiency measures under the scheme are provided advice and are signposted to local support groups in their area through the telephone based advice line.

Representations have been made, suggesting advice and referral mechanisms could be improved, although this is not a view shared by all stakeholders.

### **Can you provide further details regarding projects involved in using smart purchase of energy, which are being undertaken through the Innovative Housing Programme?**

The Innovative Housing Programme (IHP) has supported a number of projects to develop active homes. These are homes which use technologies to generate, store and release their own energy. Only one scheme, however, is currently under construction at Parc Eirin, Tonyrefail. Homes in this scheme will employ smart technologies to sell stored energy at peak times to lower tenant's energy bills. Two further schemes have been approved for IHP grant funding, subject to meeting grant conditions. These schemes will utilise the same technologies and principles of selling stored energy at peak times to lower tenant's energy bills.

### **Can you provide a list of exemptions from the prohibition on private landlords letting properties with a Band F or G EPC rating?**

The UK Government has made provision for an exemption within the MEES Regulations if the property cannot be improved to an EPC E for £3,500 or less. In such cases, it is recommended landlords make all the improvements which can be made up to this amount, then register an 'all improvements made' exemption. The exemption is applied for five years, after which time landlords are required to make further efforts to achieve the EPC E rating, or apply for a further exemption. There are various exemptions applied to the prohibition on letting a property with an energy efficiency rating below E. Information about these available exemptions is published by the UK Government and can be viewed by visiting <https://www.gov.uk/government/publications/private-rented-sector-minimum-energy-efficiency-standard-exemptions/guidance-on-prs-exemptions-and-exemptions-register-evidence-requirements>

### **Can you provide information regarding the number of properties in the private rented sector in Wales will not be able to be let under The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 after 1 April 2020.**

The Welsh Government has made funding available to Rent Smart Wales to undertake an assessment of the data collected from landlords in the PRS against the EPC register. A total of 8086 properties have been identified as having an EPC rating of either F or G and will not be able to be let under the new arrangements.

Rent Smart Wales have produced maps and data to a local authority level and are contacting non-compliant landlords to remind them of their responsibilities. Assistance is offered to landlords on how they can achieve and maintain the required standards. Landlords refusing to comply with the standards are referred to local authorities for potential enforcement action.

**Local authorities are combining grants to cover the cost of enabling works so energy efficiency measures can be installed in households, and when lessons learned from this approach will be available.**

Local authorities and organisations in the Third Sector, such as Care and Repair have advised the absence of support for enabling works available to people living in fuel poverty has hindered their ability to support them out of fuel poverty.

Scheme managers for Nest and Arbed have reported energy efficiency improvements have not been installed because small repairs are required prior to installation of measures. Enabling works are not within the scope of the current Warm Homes Programme schemes. There is limited support available from local authorities, such as home improvement loans, to help meet the cost of minor repairs. We do, however, recognise many people living on lower incomes may need additional help and support. As part of the new plan to tackle fuel poverty, therefore, I am proposing to start a pilot scheme to help meet the cost of minor enabling works to be undertaken. This may help remove this barrier to the support we are able to offer lower income households living in fuel poverty.

Regards,

A handwritten signature in grey ink that reads "Lesley". The signature is written in a cursive style with a large, sweeping 'L' and a long, curved tail that extends downwards and to the right.

Lesley Griffiths AM

Minister for Environment, Energy and Rural Affairs