

OFFICIAL LSHA STATEMENT ON ENERGY COSTS – JANUARY 2022

As the new Chief Executive of LSHA I have a particular interest in real world energy costs and energy efficiency, and I understand the importance of delivering the most affordable warmth to our tenants, as well as meeting the Government's Zero Carbon goals. I know from discussions with colleagues and our Board that our tenants are struggling to heat their homes given the pressures of rising energy costs.

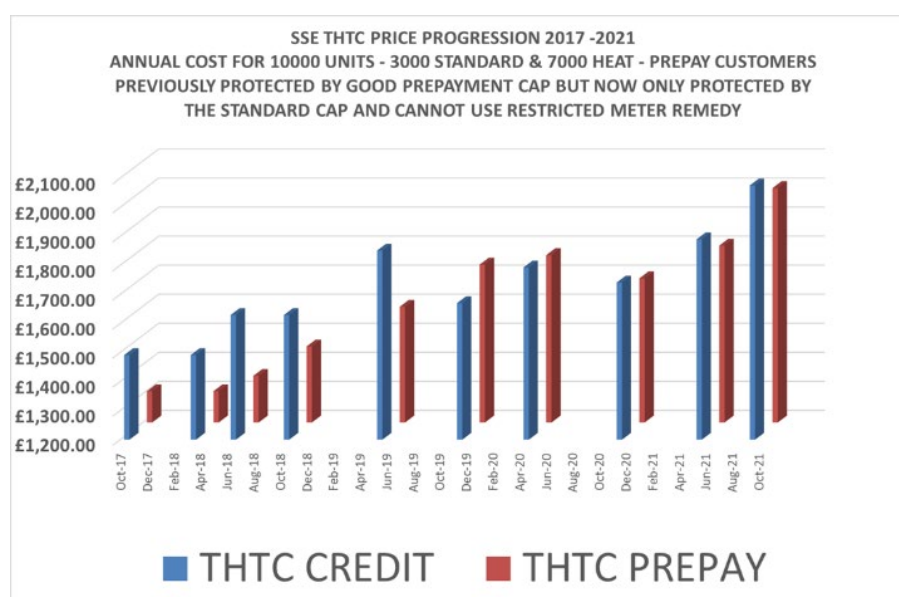
Everyone will be aware of the current energy costs crisis – as households across the UK struggle to maintain heat levels and struggle to keep the lights on as costs rise. The principle pressure is due to a worldwide shortage in the supply of GAS resulting in the highest wholesale costs there have ever been, and this is effecting countries and populations all over the world – and the crisis has its greatest impact on those with the lowest incomes. This wholesale energy cost increase has resulted in the failure of almost thirty UK energy companies in a single year – and the resultant removal of competition in the energy market with energy switching currently not offering any salvation. The only thing that prevents pricing rising inexorably higher is Ofgem's Energy Cap – but that CAP is going to rise hugely this April and it is anticipated that higher cost increases will continue to outpace inflation for at least two years further.

We know too well from our tenant consultations that our tenants' incomes are not keeping pace with these challenges.

You might think that an area like Skye and Lochalsh which is off the GAS network would be less affected – but in truth we are even more affected now and have always bore the brunt of the highest energy costs in the UK.

LSHA tenants along with most communities in the North West Highlands and Islands cannot access mains gas and instead dominantly use electricity to make heat - apart from those on the district heating network in Portree. Whilst heat from Gas currently costs around 4p per kw hr – our tenants buying heat via electricity on the THTC tariff currently pay 18.4p per kw hr – over four times as much. All electricity tariffs have shown similar increases – especially now that switching has mostly disappeared as an option.

The price of electricity has risen hugely in a short period – this shows the rise of the THTC tariff in just three years – and from April onwards prices are anticipated to rise dramatically further.



The fact that making heat from electricity is so much more expensive than Gas means that many of our tenants already ration their heat purchase and many leave multiple rooms unheated – this results in poor comfort levels and higher humidity in homes.

The perverse thing is that our LSHA stock – predominantly heated by electricity is some of the greenest in the UK - few homes burn oil or LPG or coal. You will likely know that the Highlands and Islands through its Hydro and Wind Turbine resources is an over three times net exporter of green electricity to the rest of the UK yet our populations suffer the highest energy costs burden. You will also know that electricity unit costs in North Scotland are higher than those in South Scotland. These structural inequalities create great pressures for landlords and tenants.

Many private homes use heating oil – but this is generally prohibited in social housing and there are just five homes out of the 762 homes that LSHA rents which still have heating oil. Heating Oil is currently equally expensive to electricity and has poor Carbon credentials and UK and Scottish Governments have plans to phase it out so it is not a solution.

The impact of all of this is that we are aware through our regular stock surveys that the average energy purchase in LSHA homes of all shapes and sizes is just half the UK average, yet we live in an area with very significant cold weather pressures – particularly wind chill. This energy rationing is enforced by high energy prices.

WHAT IS LSHA DOING TO TRY AND RESOLVE THIS

- Our aim is to make our stock as resilient as possible to deal with weather and cost pressures.
- We have enhanced insulation and heating levels in our stock and will continue to do so. Currently 98.8% of LSHA homes match the current Energy Efficiency Standard for Social Housing and we will put in place an energy strategy to meet the next standard, which has a 2032 deadline.
- We have introduced a new Tenant Engagement Manager to improve our partnerships with our tenants; to better understand what your needs are and how we can meet them and create ways to work together to improve services.
- Our Tenant Advisor provides intensive financial support to those who need it
- We have a new Property Modernisation Officer whose task is to liaise closely with tenants on securing the best outcomes through heating and ventilation changes
- We have an in-house Energy Advice Team who investigate and log the performance of our homes and gather detailed feedback from tenants – on warmth, comfort, and costs - and they provide guidance to colleagues and tenants on heating, ventilation, humidity management, tariffs and switching.
- We produce a monthly analysis of electricity prices looking to identify the best energy purchase options for households.
- We have lobbied Government and Regulators to improve energy switching options for those on restricted meters (in our stock it is harder to switch with THTC and E10 meters)
- We have historically advised tenants on how to save tens of thousands of £s through energy switching (switching has now disappeared from the market but it is likely to return when market conditions improve).
- We try to ensure that the energy costs on our district heating network are kept as low as possible and remain lower than electricity.
- We know the comparative performance standards of our homes and our heating systems and we are committed to finding the most economical solution for us and our tenants- and a solution that best delivers good warmth levels.

- We broadly know the energy pressures across our stock and know which homes are the worst performing. As we replace older heating systems we will replace them with more resilient solutions – this means for example replacing storage heaters in semis and detached homes with heat pumps. We know that the majority of our homes with a modern heatpump consume less energy and in those homes tenants are more likely to heat their whole home.
- We are currently researching options to improve heat delivery and costs in our many Common Entrance Flats.

We understand that many of these solutions do not match short-term need – that tenant affordability pressures are current and many of our solutions, which aim to make our homes more resilient – are too distant for many of our tenants. Our heating replacement schedules along with kitchen and bathroom upgrades are programmed over decades via our asset management plans. Ultimately any improvement we make to our properties is paid for by tenants' rents and we are aware that many tenants do not want to pay more rent – but we will continue to communicate and liaise with tenants on finding the best solutions to making their homes and our homes as resilient as possible. It is a significant challenge – for example if we replace storage heaters with heat pumps we basically double the heating replacement cost whilst halving the lifespan of the system. We rely on Governments providing additional grant aid to do this – since it is not affordable by rent alone.

This is a long piece but I felt it important that your landlord shares its concerns with you. We will strive hard to find the best solutions.

- We will continue to lobby Government and Regulators to put in place policies, which support vulnerable households.
- We have asked that Warm Home Discount eligibility be significantly extended to include many more people with electric heating.
- We are lobbying to ensure the new electricity tariffs that replace THTC are not restricted and that the energy market becomes more open and allows more energy switching.
- Where resources allow we will continue to replace storage and room heaters in our older houses with whole house central heating via heatpumps.
- We will continue to investigate the use of new technology, like PV and battery systems in homes to make best potential use of 'time of use tariffs' when they are implemented.

On a day to day practical level our Energy Advice Team and Tenant Engagement and support teams will do their best to help individual tenants navigate a way through this crisis. If energy switching becomes a possibility again, they will let you know, they will continue to monitor and survey homes to ensure we have the best understanding of our housing stock. If you struggle to understand energy billing and energy metering they can assist you. If you want advice on how to best manage humidity – ask them to intervene.

This is an area and a challenge that is ultimately beyond the control of tenants and social landlords. It is the task of Government and Regulators to create a fairer UK energy market - but from a local perspective we still hope to continue to build affordable warmth partnerships with our tenants – so that we can all work together to find the best solutions. I realise that I cannot offer immediate solutions to this crisis but it is important that tenants understand that LSHA is committed to finding the best solutions.

Neil Clapperton

Chief Executive of Lochalsh and Skye Housing Association