



Energy and Climate Change Committee Inquiry on Fuel Poverty

The National Joint Utilities Group Ltd (NJUG)

Written Evidence

Introduction

- 1) The National Joint Utilities Group Ltd (NJUG) is the only UK trade association representing utilities and their contractors on street works issues. Our members invest billions of pounds each year to deliver safe, secure and reliable services to UK plc and individual domestic consumers. We therefore welcome the opportunity to respond to the Energy and Climate Change Select Committee's Inquiry into Fuel Poverty.
- 2) NJUG's current members are the Energy Networks Association (representing electricity and gas), Water UK (representing all water and wastewater companies), National Grid, Openreach, and Virgin Media. Our associate members are Clancy Docwra, Skanska Utilities, Balfour Beatty, Morrison Utility Services, Morgan Est, NACAP, PJ Keary, First Intervention, Carillion, Enterprise, Laing O'Rourke and AMEC. Including members through trade associations, NJUG represents thirty-nine utility companies and twelve utility contractors. NJUG is also the utility arm of the Highway Authorities and Utilities Committee representing street works in England, Northern Ireland, Scotland and Wales known as HAUC (UK).

Impediments against fuel poverty objectives

- 3) Though the Government has set a target of eliminating fuel poverty entirely by 2016, this is highly unlikely to be met given that the number of households suffering from fuel poverty is on the rise and it is highly possible therefore that fuel poverty in the UK will be far greater a problem in 2016 than it was when the Government set its objective if this trend continues. One way this issue can be addressed is by ensuring the affordability of utility bills by keeping them as low as possible.
- 4) NJUG is a constructive organisation, committed to working with Government, local authorities and other stakeholders to reduce the unfortunate disruption caused by street works.
- 5) However should the Government pursue their policy intentions recently announced with respect to street works, which includes yet further regulation in the form of a lane rental scheme (a daily charge for every day utilities occupy the street), it is likely to have the effect of increasing consumer utility bills and could therefore hamper the Government's fuel poverty objectives, without any alternative beneficial return. We also note that the opposition has recently announced similar plans in relation to street works, which could have a similar impact on consumers' bills.
- 6) At this difficult economic time, NJUG is concerned that any increase to costs on consumers must be fully justified. However, we have still to be provided with evidence that a lane rental system would have any effect over and above that achieved through the through the myriad of existing regulation governing utility street works. Indeed, the only existing research on the matter was undertaken in 2003/04 in Middlesbrough and Camden. The results indicated "little change"¹ in the extent of street works, but a large increase to consumer bills with one utility involved indicating a 433% increase.
- 7) Utilities invest billions of pounds every year to deliver safe, secure and reliable services to customers. These services are essential to both the UK economy and to individual households. Street works are only undertaken for four reasons – safety, security of supply, to connect new customers or enhance existing customers' supplies, or to divert apparatus to facilitate major transport or urban regeneration projects.

¹ "Monitoring of Lane Rental Projects, Second Annual Report, April 2003-March 2004, Department for Transport, July 2004, p.23

- 8) Our fear is that if lane rental is applied to all these essential works, it would simply add to the regulatory burden upon business, increasing bills substantially without any equivalent benefit at a time when consumers are suffering economic hardship, and seeing bills already rising to deliver a vast array of Government initiatives include energy policy objectives of security of gas and electricity supplies, affordability and the phased transition to a low carbon economy; supporting urban regeneration objectives by upgrading existing or delivering new utility infrastructure; delivering the infrastructure necessary to deliver the Digital Economy; and replacing ageing water and sewage pipes to reduce water leakage, continue to increase water quality and ensure that the UK's increasing population has a robust sewage system.
- 9) Utility works are controlled through a range of legislation and regulations implemented by local authorities, which includes a range of recent changes such as: improved works Noticing systems; increased overstay charges (where utilities are charged for exceeding their agreed timescales for works); introduction of fixed penalties; and permit schemes, all of which allow local authorities to better co-ordinate utility street works, and indeed their own highway works, of which there are equal numbers. In addition, utilities already pay in excess of £1.2 billion per year in "cumulo rates" for the privilege of locating their apparatus in the street and also economic regulators for energy and water further incentivise utilities to operate efficiently through five-yearly regulatory settlements. Whilst the regulators' statutory duties vary, their central objectives are to protect the consumer, by balancing investment for the future with price levels to customers.
- 10) It is in the interests of consumers therefore that (a) the existing and newly introduced legislation should be allowed to bed down and their benefits and costs measured, before any further measures are implemented and (b) if lane rental is ultimately introduced it should only be used on strategic routes at peak times, as opposed to a blanket approach covering all works on all streets. This would incentivise utilities to work in the night and to lay piping where practical and safe to do so, so that the busiest roads can be used during the day.
- 11) It has been estimated that a blanket enforcement could cost the utility circa £750 million per year which would increase utility bills by an extra £34² per household, a substantial rise that would impede the Government's fuel poverty objectives, without any proven beneficial return.
- 12) NJUG is therefore keen to work with Transport for London (TfL), which is currently developing a proposal for a lane rental scheme, to help it develop a focused / targeted scheme that considers incentivising utilities to work on strategic routes outside normal hours or if not, pay a daily charge. We would welcome the opportunity to participate in a trial to ensure that any lane rental scheme will deliver major additional benefits, which outweigh the potentially substantial additional costs to utilities and London's consumers.
- 13) Utilities are also undertaking numerous voluntary activities in support of NJUG's Vision for Street Works (http://www.njug.org.uk/uploads/0912_NJUG_Vision_for_Street_Works.pdf) to enhance the quality of works and reduce disruption. This includes the widespread use of minimum-dig techniques wherever practical and cost-effective, and advance-planning pilots to co-ordinate planned works where possible. Following successful working with the Mayor of London in implementing a London Code of Conduct, which has delivered tangible benefits for communities and the travelling public, in terms of reducing disruption, NJUG is now looking at implementing a national Code of Conduct for its members. Utilities and their contractors are also actively working with Transport for London (TfL), the Olympic Delivery Authority and Local Authorities to co-ordinate works on and near the Olympic Route Network in the run-up to and during the 2012 Olympic and Paralympic Games.
- 14) Such voluntary self-regulatory measures are essential to assist in minimising the need for costly regulation, such as lane rental, and in return help keep consumers' bills down. In order to promote examples of this, NJUG holds an annual Awards ceremony to publicise and share good practice so that companies and organisations can learn from the successes achieved by others, in order to improve the quality of works, and in turn the services provided to consumers.

² The £750m per year estimate is derived from an NJUG assessment on the implications of lane rental for its members and is based on the rates used in the Camden and Middlesbrough lane rental trial undertaken in 2003/04. The figure of £34 is based on an estimate of 22 million UK households.

- 15) Given that the volume of street and highway works is unlikely to change, utilities and local authorities must work together better, through greater co-operation, co-ordination and communication, to deliver further efficiencies in the delivery of works and costs as opposed to through further regulation.

Summary

- 16) It has been estimated that lane rental could cost the utility industry in the region of £750 million per annum, which would be the equivalent of an additional £34 per household. Due to the regulatory and commercial nature of the utilities sector all efficiency incurred costs are inevitably passed on to consumers and therefore, given that the range of recently introduced measures are yet to be assessed or given the time to demonstrate their effectiveness – the consideration of further measures at this stage is premature. We therefore urge the Committee, in the interest of reducing fuel poverty, to suggest to the Government, Opposition and the Mayor of London that existing measures (both statutory and voluntary) should be allowed to bed down and their effectiveness measured, before any additional costs to utilities and their customers are implemented.