Study on addressing energy poverty in the Energy Community Contracting Parties

9th Workshop of Eastern Partnership Energy Regulatory Bodies

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Branislava Marsenic, Energy Community Secretariat
Content

- Starting point for the study:
  - Currently applicable and forthcoming legislation
  - Some statistics
  - Currently implemented measures
- Study on addressing energy poverty in the Contracting Parties
  - Tasks
  - Preliminary proposals for definition and measurement
  - Timeline
Applicable legislation

- Electricity and Gas Directive, Art.3:
  - CPs shall define the concept of vulnerable customers which may refer to energy poverty and, inter alia, to the prohibition of disconnection of electricity/gas to such customers in critical times. CPs shall ensure that rights and obligations linked to vulnerable customers are applied.
  - CPs shall take appropriate measures, such as formulating national energy action plans, providing benefits in social security systems to ensure the necessary electricity/gas supply to vulnerable customers, or providing for support for energy efficiency improvements, to address energy poverty where identified, including in the broader context of poverty.

- Energy Efficiency Directive, Art.7
  - Within the energy efficiency obligation scheme, CPs may:

    …require a share of energy efficiency measures to be implemented as a priority in households affected by energy poverty or in social housing;
New legislation (1)

- Regulation 2018/1999 on the Governance of the Energy Union and Climate Action
  - Not one of the dimensions, but a tool to promote just transition
  - Art. 3 Integrated NECPs

**MSs shall assess the number of households in energy poverty** taking into account the necessary domestic energy services needed to guarantee basic standards of living in the relevant national context, existing social policy and other relevant policies, as well as indicative EC guidance on relevant indicators for energy poverty.

In the event that a MS finds, that it has a significant number of households in energy poverty, it shall include in its plan a national indicative objective to reduce energy poverty. …and outline policies and measures which address energy poverty.

- Art. 24 Integrated reporting on energy poverty

If there is a significant number of households in energy poverty, progress report to include: (a) information on progress towards the national indicative objective to reduce the number of households in energy poverty; and (b) quantitative information on the number of households in energy poverty, and, where available, information on policies and measures addressing energy poverty.
New legislation (2)

- Directive 2019/944 on common rules for the internal market for electricity
  - Art. 5 Market-based supply prices

**Protection of energy poor and vulnerable customers without price interventions**, but a derogation under certain conditions may be applied.

If price interventions for energy poor and vulnerable customers applied, the provisions of the Governance Regulation related to energy poverty have to be applied, regardless of whether the MS concerned has a significant number of households in energy poverty.

- Art. 29 Energy poverty

MSs to **establish and publish set of criteria for assessing number of customers in energy poverty**, which may include low income, high expenditure of disposable income and poor energy efficiency

EC Recommendation on energy poverty and accompanying Guidance on energy poverty adopted in October 2020
New legislation (3)

- **Directive 2018/2002 on energy efficiency**
  - Art. 7 Energy savings obligation
  - In designing policy measures to fulfil obligations, MS shall take into account the need to alleviate energy poverty
  - By requiring...a share of energy efficiency measures under their national energy efficiency obligation schemes, alternative policy measures or programmes or measures financed under an EENF, to be implemented as priority among vulnerable households, including those affected by energy poverty and in social housing
  - Information about the outcome of measures to alleviate energy poverty to be included in the NECP progress reports

  - Art. 2 Long-term renovation strategy
  - To encompass an overview of policies and actions to target the worst performing segments of the national building stock, split-incentive dilemmas and market failures, and an outline of relevant national actions that contribute to the alleviation of energy poverty

- **Directive 2018/2001 on the promotion of the use of energy from renewable sources** - promotes inclusion of energy poor in several aspects: information and training, energy communities, self-consumption, renewable heating and cooling
Some statistics on energy poverty

EnC CPs - Inability to keep home adequately warm:
- Montenegro - 10.3%, North Macedonia - 33.1%, Serbia - 9.9%, Kosovo* - 40.2%
  EU average 2019: 6.9%

EnC CPs - population living in a dwelling with leaking roof, damp walls, rot in windows…)
- Montenegro - 25.9%, North Macedonia - 13.9%, Serbia - 18%, Kosovo* - 21.4%
  EU average 2019: 12.7%

Other sources on CPs:
- Ukraine: 29% (huge regional differences)
- Albania: 20%
- Georgia: absolute poverty rate 30%

Lack of reliable and harmonized data for EnC CPs
Definition and treatment of vulnerable customers in the CPs

- Outline of the Social Strategy in the Energy Community (2013)- regional definition

- All CPs have definition of vulnerable customers, except Georgia and, partially, Bosnia and Herzegovina (ECRB Retail MMR 2019). There is no definition of energy poverty, but it is addressed through a certain framework (strategies, action plans etc.)

Measures to protect vulnerable customers in the CPs:

- Restrictions on disconnection due to non-payment
- Earmarked social benefits to cover energy expenses
- Right to deferred payment
- No special energy prices for vulnerable customers

![Bar chart showing the share of vulnerable customers in different countries, including Bosnia and Herzegovina, North Macedonia, Kosovo, Montenegro, and Serbia. The data from ECRB MMR 2019 is used to illustrate the proportions.]
Energy poverty study - tasks

- Status review of currently implemented definitions and measures
- Identification of main drivers of energy poverty
- Setting indicators for measuring energy poverty
- Preliminary assessment of the number of households in energy poverty
- Recommendations for adequate objectives, policies and measures to address energy poverty
Energy poverty study - considerations before definition

- Energy vulnerability vs. energy poverty
- Energy poverty is not just caused by low incomes, but is also dependent on energy inefficient housing, energy needs and energy supply → more than one criterion has to be used to identify energy poverty

Energy poverty is commonly defined as the inability to secure adequate levels of energy services in the home
- Secure: inability to pay (affordability), lack of infrastructure (energy access)
- Adequate: material (e.g., room temperature) and social (limiting some activities)
- Energy services: space and water heating, lighting and appliances. Depend upon the efficiency.
Energy poverty study- drivers and definition

DRIVERS:

• Economic: income
• Climate: need for heating and cooling
• Energy efficiency of housing and appliances
• Demographics (age, gender, number of children)
• Market based: price of energy services
• Infrastructural: availability of energy sources

PROPOSED DEFINITION FOR EnC CPs:

Energy poor consumer is a consumer that cannot secure adequate warmth, cooling, lighting, and energy to power appliances that are required to provide essential services that underpin a decent standard of living and health.
Measuring energy poverty

Using direct readings and comparing to some accepted standard (lighting, heating, cooling); considered impractical and expensive, used in small scale projects

Level of HH energy expenditure in relation to pre set absolute or relative value: energy burden, 2M, M/2

Indicators measuring the presence of symptoms of energy poverty e.g. leaking roof, moldy walls, condensation

Consensual indicators- asking people subjective questions on the level and quality of energy services

Measuring energy poverty at two levels:

- Aggregate (national)- to estimate prevalence of energy poverty → all indicators can be used
- Individual (household)- use indicators to select households that will benefit from measures → only verifiable indicators to be used, not subjective
## Proposed indicators (1)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Definition</th>
<th>Data availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Condensation, leaking roof, rot in windows or doors</td>
<td>The share of population with leak, damp or rot in their dwellings</td>
<td>EU SILC</td>
</tr>
<tr>
<td>Arrears on utility bills</td>
<td>Self-reported indicator that measures the share of population that had financial difficulties with payments of utility bills in the last 12 months</td>
<td>EU SILC</td>
</tr>
<tr>
<td>Ability to keep home adequately warm</td>
<td>Self-reported indicator that measures the affordability by asking households to provide answer to the question: “Can your household afford to keep the home adequately warm?”</td>
<td>EU SILC</td>
</tr>
<tr>
<td>Total housing cost</td>
<td>Total housing cost including heating, electricity, water and gas</td>
<td>EU SILC</td>
</tr>
<tr>
<td>Total disposable household income</td>
<td>Total disposable household income</td>
<td>EU SILC</td>
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# Proposed indicators (2)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Definition</th>
<th>Data availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy burdens</td>
<td>Share of expenditure on electricity, gas and other fuels in total housing expenditure</td>
<td>HBS</td>
</tr>
<tr>
<td>M/2</td>
<td>Absolute energy expenditure below the half national median</td>
<td>HBS</td>
</tr>
<tr>
<td>2M</td>
<td>Share of energy expenditure in disposable income is more than twice the national median</td>
<td>HBS</td>
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Where do we stand with the study?

- Interim report covering Tasks 1, 2 and 3 submitted by the consultant, review by CPs and ECS ongoing
- Consultations with CPs ongoing (individual workshops per CPs with all relevant energy sector stakeholders)
- Tasks 4 and 5 to be performed, draft final report to be prepared
- Another round of consultations with CPs to be organized (end May 2021)
- Presentation of the final results in June 2021
- After the study: policy guidelines, database, improving statistics where possible, continuous monitoring
THANK YOU
FOR YOUR ATTENTION

branislava.marsenic@energy.community.org

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