

Warm Home Discount – Better targeted support

Centre for Sustainable Energy – Consultation Response

The Centre for Sustainable Energy (CSE) is an independent national charity, established in 1979 and twice-winner of the Ashden Awards for Sustainable Energy – most recently in 2014 for our “outstanding contributions to tackling fuel poverty in the UK”. Our vision is a world where sustainability is second nature, carbon emissions have been cut to safe levels and fuel poverty has been replaced by energy justice. Our mission is to share our knowledge and practical experience to empower people to change the way they think and act about energy.

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We have 90 staff working mainly across three operational teams:

- Household Energy Services: supports disadvantaged households with home energy issues and operates a freephone home energy advice service Monday-Friday.
- Research and Analysis: delivers research and policy analysis for governments, utilities, cross-sector partners with a focus on improving national and local sustainable energy policy and programmes in the UK.
- Local and Community Empowerment: supports groups and individuals to take action on climate change, and develops local projects supporting communities to use the planning system and democratic rights. They manage grant programmes, develop engagement tools and run high-profile youth education programmes.

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the way they think and
act on energy

Since launching, CSE has provided advice and support to around 365,000 people to help them take control of their energy use at home. In the last financial year alone (April 2020 to March 2021) we supported 14,465 households with 21,337 separate enquiries, collectively saving them more than £2.76 million (an average of approximately £191 per household). The vast majority of these clients were either in fuel poverty or at risk of fuel poverty and a significant proportion had a listed health condition.

The majority of CSE’s current advice projects are directly targeting households who are eligible for either the existing core or broader group of the Warm Home Discount. Over £300,000 of the savings achieved for households in 2020-21 were accrued from the Warm Home Discount whereby we supported over 2,000 to access the broader group. We therefore have considerable experience of supporting the beneficiaries for whom this consultation will have an impact.

With respect to this consultation our understanding of the key proposals is as follows:

- The core group (those who receive Pension Credit Guarantee Credit) remain unchanged.
- The Broader Group will be replaced with a new group, Core Group 2, whose beneficiaries would be primarily identified as eligible and provided with energy bill rebates automatically, instead of being dependent on their energy supplier to let them know about the scheme.
- The proposed Core Group 2 would allow energy suppliers to provide rebates automatically to their customers through data matching.
- An estimated 780,000 more households and 560,000 additional fuel poor households would receive rebates each year in England and Wales.
- The main beneficiaries of the changes would be low-income working age households with children.
- The size of the individual rebates are expected to increase to £150 from £140.

- There is a proposal to reduce the obligation threshold from 150,000 domestic customer accounts for participation in the WHD scheme to 50,000 for the 2022/23 scheme year, and to 1,000 accounts from 2023/24 onwards.
- Ofgem would remain the administrator for the spending reconciliation under the scheme.
- £10 million increases and decreases are proposed in any scheme year, allowing BEIS to respond to increases or decreases in the Core Group 1 and Core Group 2 rebates between years, whilst also providing a degree of certainty about the size of suppliers' Industry Initiative obligations.

CSE's response to the formal consultation questions are as follows.

Consultation Questions

Improving the targeting of the scheme

1. Do you agree with the proposal to keep the eligibility for the current Core Group (Pension Credit Guarantee Credit recipients) unchanged, becoming Core Group 1?

Yes. Pension guarantee credit provides a top-up to the weekly income of many of the poorest pensioners who've not managed to make savings provision for their future. The minimum standard guarantee level for 2021/22 is £177.10 per week if they're single, and £270.30 if they're in a couple. In our experience many of these households are particularly vulnerable to the cold due to ill-health which typically consists of one or more of; poor mobility; disability; respiratory illness; or a cardiovascular condition.

Alongside the data matching performed by DWP for the Warm Home Discount (WHD) we would recommend that the data is matched to the EPC register to identify those households living in a home rated D or below. The ECO 4 consultation¹ proposes to include households in receipt of the WHD for both core group and broader group (core group 2), providing their homes meet the Energy Performance Certificate (EPC) band D, E, F and G and ECO 4 tenure requirements. Addressing the energy efficiency of the fabric of these households' homes will improve their health and address fuel poverty i.e. delivering upon the Government's own fuel poverty strategy.

These households should then be flagged as eligible for ECO 4 to the WHD obligated energy supplier. As a minimum, under the bounds of Ofgem's Consumer Vulnerability Strategy 2025, the supplier should be legally obliged to write to the customer to make them aware of their ECO eligibility. This helps meet the following criteria from the strategy:

- Improving identification of vulnerability and smart use of data.
- Supporting those struggling with their bills.
- Driving significant improvements in customer service for vulnerable groups.
- Encouraging positive and inclusive innovation.

2. Do you agree with the proposal to replace the Broader Group with a new Core Group 2 who receive the rebates automatically, rather than having to apply?

Yes. This will have a significant impact on the shape of our advice work as we will no longer need to support households to apply for the WHD each year. We will therefore be able to use this time to

¹ <https://www.gov.uk/government/consultations/design-of-the-energy-company-obligation-eco4-2022-2026>

provide additional support to access energy efficiency measures, switch tariffs, access means tested benefits etc.

However, as noted above these households will also be eligible for ECO 4 and as such their eligibility should be shared with the supplier. The supplier should be duty bound to contact them under their obligations to support vulnerable households.

3. Do you agree with the proposed methodology to determine the Core Group 2 and the proposed eligibility criteria, which we estimate would increase the number of fuel poor households receiving the rebate from 47% under the Broader Group to 59% under the Core Group 2?

We are encouraged to see a growth in support to £475 million (in 2020 prices) and an improved focus on fuel poverty. However, we note from both Figure 1 and 2 of the consultation that single households without children are the only demographic to see a decrease in eligibility. During the Covid-19 pandemic we have experienced an increase in demand for advice services from single men. Before the pandemic, support was usually taken up by low income families, single parents, pensioners and people with health needs. In particular this group are often suffering from mental health issues.

The withdrawal of furlough and associated impacts of the pandemic are likely to have a significant impact on this group's employment prospects. We would therefore recommend a role for the Industry Initiatives programme to addressing the gap in support that may exist for this customer demographic.

4. Do you agree with our approach that Government should work with energy suppliers and third-party organisations to ensure there is dedicated support for households with a disability at risk of fuel poverty as part of an Industry Initiative? Please give views on the design and administration of such an Initiative, including the amount of overall funding, the amount of funding available to households, and eligibility.

Yes. Under ECO 3 non-means tested disability benefits qualified for support. ECO 4 proposes excluding these benefits, despite the fact that many of these households have higher energy bills due to higher heating bills and/or additional costs for laundry or medical equipment. Scope's Out in the Cold report² found that 4.1 million households with a disabled person spend over £1,500 a year on energy. Of these, 790,000 spend over £2,500 a year on energy. The average UK household spends around £1,200 a year.

In the absence of much needed funding to improve the energy efficiency of the properties in which these households live, we would suggest that WHD Industry Initiatives (WHD II) provide specific support to those in receipt of Disability Living Allowance (DLA), Personal Independence Payment (PIP), or Attendance Allowance (AA). Alongside the provision of energy advice and debt clearance, we would suggest that the WHD II provides support for heating repairs and minor energy efficiency measures e.g. draught-proofing, door replacements, secondary glazing and replacement appliances. In our experience there is no funding for heating repairs and every winter we are approached for support from households in desperate need.

Data matching and sweep-up

² <https://www.scope.org.uk/campaigns/extra-costs/out-in-the-cold/>

5. Do you agree with the proposed data-matching process, including the data-matching process with energy suppliers, to identify households eligible for the rebate under the Core Group 2 and provide rebates automatically on bills?

Yes with modification. The VOA data will supply floor area and property age which will be the main drivers of the high energy costs calculation. Whilst we recognise there are issues with the accuracy and consistency of EPCs (which are well documented), we would suggest further data matching with the EPC register to enable additional verification of the VOA calculation and offer an alternative to the imputation methodology i.e., where an EPC exists and the VOA data is imputed. In terms of verification, we would recommend a research study which examines the energy cost outcomes for a sample of households where there is both VOA and EPC data.

6. Do you agree with Government's proposed use of an imputation methodology to fill in missing data or non-matched data to enable rebates to be delivered automatically to a greater number of people?

No. See above. The EPC register offers the potential to avoid imputation for those households that have an EPC.

7. Do you agree with the proposed approach to setting a qualifying date?

We have no view on the date.

8. Do you agree with the proposed sweep-up and high-energy-cost verification and challenge process?

Yes.

9. Do you agree with the proposed permitted alternative data sources for proving eligibility for the rebate?

Yes. We would suggest that recent EPCs are used (e.g. EPCs should have been issued within two years of the qualifying date).

Overall spending targets

10. Do you agree with the proposed overall spending targets for Great Britain?

Yes but we would recommend BEIS conducts some analysis of the distributional impacts of these changes i.e. the impact on bills for those winners and losers.

11. Do you agree with the proposed approach to apportionment of the total spending targets to Scotland from April 2022, currently equivalent to around 9.4%?

Yes.

12. Do you agree with the proposal to make Industry Initiatives spending mandatory rather than optional?

Yes.

13. Do you agree with the proposed approach to use Industry Initiatives targets to balance the spending uncertainties created by the two Core Groups, through an adjustment before the start of the scheme year and a further, more limited adjustment in year, which are capped at £10 million from the Industry Initiatives' base spending obligation each scheme year?

No. As a third sector organisation that delivers an industry initiative on behalf of a supplier we would not welcome a 25% reduction in our yearly budget. Short-term significant reductions in funding are difficult to manage and as such we would recommend limiting any reduction to a maximum of 10% i.e. £4 million.

14. Do you agree that the value of the rebate should be set at £150 for the duration of the scheme and that payment of the rebate should be as per current rules?

Yes.

15. Do you agree with the proposal to keep the scheme year as now, running from April to March?

Yes.

Industry Initiatives

16. Do you agree that spending on the provision of financial assistance with energy bills to households particularly at risk of fuel poverty should have a minimum spend of £5 million overall, with an overall cap of £10 million? If you think an alternative minimum and/or maximum spend should be set, please provide your reasons.

Yes. During the pandemic we delivered a number of voucher schemes using funding from Ofgem's Energy Redress programme, Barclays 100x100 charitable fund and local charitable trusts and foundations. We have noted a number of households who repeatedly applied for PPM vouchers, we therefore implemented our own caps for households which are in-line with the £140 limit. We would advocate the provision of tailored home energy advice support alongside any PPM vouchers as part of a WHD II i.e., ensuring the systemic issues associated with fuel poverty are addressed.

17. Do you agree that such financial assistance should continue to be capped per household per scheme year? If so, should this be capped at £150, or at a higher level?

No. As mentioned in our response to Q4 the removal of support for households with disabilities under ECO 4 is extremely worrying. We would advocate a higher cap of £500 for these households to enable them to access funds for heating repairs and minor energy efficiency measures.

18. Do you agree that a £3 million portion of the energy debt write-off cap should be reserved for customers with pre-payment meters (PPMs) who are self-disconnecting or are at risk of self-disconnecting?

Yes.

19. Do you think that the cap on debt write-off should be reduced from £6 million to £5 million overall, and from which scheme year should this take place?

No. The impact of the WHD scheme eligibility changes on households with disabilities should be analysed before the cap is reduced.

20. Do you agree that the individual debt-write off cap should continue to be capped at £2,000? If you think an alternative cap should be set, for instance more in line with average energy debt levels, please provide your reasons.

Yes we agree with this cap. We support many households who are struggling to address their energy debt which is above the average level. These households are often very vulnerable and they've found themselves in a desperate situation due to one or more, often complex factors i.e., loss of

employment, physical or mental illness of a household member, poor efficiency housing, bereavement, suffering from domestic abuse, language barriers, etc.

21. Do you agree that the installation of mains gas boilers to replace existing boilers that have ceased to function properly should only be permitted in households with a specific vulnerability to cold, as outlined?

As outlined above the households that are eligible for WHD will also be eligible for ECO 4 (subject to their EPC). Based on these assumptions they are also likely to be eligible for HUGS and LADS 3. It may therefore be possible to make significant improvements to these homes under these schemes i.e. improving the fabric by insulating the property and then replacing the heating with a low carbon source, such as a heat pump.

We would therefore recommend that a retrofit assessment is performed as part of the WHD II schemes that offer replacement gas boilers. The assessment should be funded by the WHD II scheme and conducted in line with PAS 2035 by an independent assessor i.e. not employed by an installer of a specific energy efficiency measure. The assessment should identify the most appropriate measures, their costs and any issues with sequencing. This would enable better identification of the potential to fund a whole house retrofit (using ECO 4, HUGS and / or LADS 3) which delivers affordable warmth and low carbon. The WHD II funding that is currently used for boiler replacement could be used to match any package shortfall, thus helping to achieve both fuel poverty and net zero targets. It also protects households from any future price volatility of gas (which has recently resulted in an increase in Ofgem's cap on fuel prices³).

For those homes where a heat pump is not viable i.e. due to the cost of the total package of measures required to improve the energy efficiency to a level where it operates efficiently, then a gas boiler should be offered to the household. However, we would suggest that support for boilers is tapered with an expectation that funding in the later period of the scheme be used to support whole house low carbon retrofit i.e., alongside ECO 4, HUGS and/or LADS 3.

22. Do you agree that boiler replacements should be limited to £8 million per scheme year from 2022/23?

Yes for the first year only. We would then suggest that the limit for boiler replacement be tapered, with a reduction of £2 million per year to 2026. The supplier should be able to use the reduction to contribute to packages installed under ECO 4, HUGS and/or LADS 3.

23. Do you agree that the obligation threshold for the whole scheme should be reduced from April 2022 to 50,000 domestic customer accounts? If not, what would you suggest is a more appropriate threshold and why?

Whilst we acknowledge the fact that smaller suppliers gain a competitive advantage by not being obligated, the consultation document contains insufficient evidence on the impact of the obligation on very small suppliers that have recently entered the market. It may be that the length of time a supplier has been operating could be used to compliment the customer threshold i.e. a supplier needs to have been operating for a year whereby their systems should be better established and they would be better placed to deliver the obligation.

24. Do you agree that from April 2023 the supplier threshold should be reduced to 1,000 domestic customer accounts?

³ <https://www.bbc.co.uk/news/business-58090533>

See our response to Q.23.

25. Please provide evidence of costs of delivering Core Group rebates, your estimated costs of delivering to Core Group 2, and the costs of setting up Industry Initiatives (specifying if this is a multi-supplier scheme), in cost per pound of support delivered.

We are not able to comment on the cost of setting up an industry initiative scheme; however, we are able to feedback on the cost of supporting vulnerable clients through our advice services. Our advice service costs can range from £40 to £200 per client depending on the level of support provided i.e. from speaking to clients briefly at events, through to delivering in-depth ongoing casework with home visits. The savings and impact of the in-depth advice, both financially and emotionally, is far greater. Any evaluation of costs of support needs to look at the impact on the client's finances, emotional wellbeing and health.

26. Do you agree with the proposed continuation of the arrangements for the reconciliation mechanism, extending to cover both Core Group 1 and Core Group 2, and that this should similarly continue in Scotland, in the event that the current WHD scheme continues in Scotland?

Yes.

27. Do you agree that we should continue with the current Supplier of Last Resort (SoLR) arrangements and not introduce a mandatory requirement for an SoLR to take on the WHD obligations of a failing supplier? What alternative arrangements could be put in place that may encourage the SoLR to take on those obligations, including in relation to Industry Initiatives?

We have no view on this.

28. Do you agree with the proposal that Ofgem should assess and approve applications from suppliers seeking to participate voluntarily in the scheme?

Yes.

29. Do you agree that from 2023 we introduce a second customer number reporting date?

Yes.

Administration of the scheme

30. Do you agree that Ofgem should continue to act as the operator of the reconciliation mechanism for the scheme?

Yes.

31. Do you agree that energy suppliers with multiple licences should be permitted to consolidate under one licence?

Yes.

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