Action for Warm Homes

CONSULTATION RESPONSE

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NEA response to BEIS's Consultation on the Warm Home Discount Scheme 2021/22

About National Energy Action (NEA)

NEA[1] works across England, Wales and Northern Ireland to ensure that everyone in the UK[2] can afford to live in a warm, dry home. To achieve this we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives.

Background to our response

Over the last five winters the number of excess winter deaths due to living in a cold home is estimated at approximately 10,000 per year[3]. In 2017/18, the number of excess winter deaths (EWDs) across England and Wales exceeded 50,000, the highest recorded for over 40 years[4]. While the causes of EWDs vary[5], we estimate one of the largest contributors to these needless deaths is vulnerable people, often struggling with existing ill-health, being unable to heat their homes adequately, if at all[6]. As well as an unacceptably high number of preventable winter deaths, millions more people are struggling significantly to afford to adequately heat and power their homes and are suffering with poor physical and mental health due to cold homes[7].The resulting impact on health services is acute; costing the NHS between £1.4bn and £2bn every year, in England alone[8] and creating huge needless strain on our stretched health and social care services.

The Warm Home Discount has a significant impact on making energy more affordable for households that are struggling to pay their bills, helping them to stay warm and well. Across the whole market, Ofgem say that in Scheme Year 8 (the latest year with available data), 1.1m customers were provided with a core group rebate, a further 1.1m customers were provided with a broader group rebate, and help was provided to more than 500,000 households through Industry Initiatives.[9]

In Scheme Year 9, NEA managed ten Industry Initiative projects across eight suppliers. Within those projects:

- We provided more than 1,400 people with benefits entitlement checks, resulting in the receipt of an additional £3.8m per year in benefits. This equates to an average increase in income of more than £2.7k per person helped.

- We provided more than 150 households with energy efficiency measures and/or energy efficient appliances.

- We gave more than 4,500 households energy advice to help them understand how to better use energy to keep themselves warm and well at a lower cost.

- We trained more than 2,800 people to provide energy advice, who we estimate will go on to help more than 940,000 households[10] per year.

- We provided more than 69,000 people with financial assistance and debt relief, helping them to clear their energy debts so that they can continue to keep on supply.

Summary of Our Response

NEA welcomes the publication of this consultation for a one-year extension of the Warm Home Discount. During this extraordinary time, for many, personal finances are under intense pressure and schemes such as this will prove welcome relief for many households. Overall, the proposals within the consultation move the scheme forward in a positive direction. However, NEA has the following concerns:

<u>A need to accelerate wider reforms of the scheme</u>

Despite welcoming the steps proposed in this consultation, NEA once again highlights a frustration with the slow pace by which the wider reforms trailed within the consultation will take place. This consultation contains welcome proposals for reform, especially within the context of Industry Initiatives, but it is clear that these tweaks in rules will only serve to remove support from one group to improve support for others. A broader set of reforms is needed to increase the financial envelope of the scheme and to ensure that it can support all of the households that need it.

The opportunities to data-match the Broader Group (and therefore ensure eligible households are automatically assisted and don't have to apply) has been the subject of three previous consultations. Before this consultation, it was previously consulted on more than two years ago, and Greg Clark, as Secretary of State for BEIS in 2018 said "The proposed amendments to the Digital Economy Act will allow suppliers to work with government to carefully identify those whose energy bills are high and potentially putting them in financial difficulty"[11]. This has not been fully progressed, and we estimate that well over half a million[12] GB households are missing out on potential energy bill savings of £140 this year because, while eligible, they will not receive a Warm Home Discount rebate. These households are mostly working-age, fall into the lowest income deciles and are already facing thousand pound gaps between their incomes and the essential cost of living. **Protecting these households must be a key priority and we therefore urge the Government, alongside these reforms to WHD, to also issue its response to the consultation on extending data sharing as soon as possible.**

NEA additionally believes that any longer term, broader reforms of the scheme should :

- Ensure smaller suppliers are also required to provide all elements of the scheme.

- Ensure the WHD is better designed, ensuring that more customers know about it and there are more channels to apply for it via Industry Initiatives. BEIS and Ofgem should utilise inclusive design principles so that the scheme works well for the people that benefit from it.

- Encourage all energy suppliers to implement the new WHD policy before the start of the new phase of the scheme, and regularly liaise with customers to see whether the WHD is meeting their needs.

- Encourage suppliers to continue making sure consumers have access to hardship grants, and energy/fuel debt advice.

Ensuring that the new scheme can deliver for fuel poor households in the context of growing utility debt

The COVID-19 crisis has exacerbated the issue of energy affordability in the short term, reducing incomes and increasing energy usage. This has led to increased utility debt. In August, Citizens Advice estimated that more than 1.4 million UK adults had fallen behind on their energy bills during the pandemic, with a total value of arrears of £209m.[13] According to the ONS[14] 56% of Brits say their energy consumption is up and a recent study by Energy Helpline suggested that this could lead to a £1.9bn increase in bills between October and March. A poll conducted by YouGov for NEA showed that one in three British households are concerned about the health impacts of living in a cold home this winter. Our own analysis[15] has shown that frontline advisors had significant concerns about household's abilities to keep warm this winter. Three quarters of organisations told us there was a high risk of the increased building up of fuel debt this winter, as a direct result of the pandemic; and 95% said there was a moderate or high risk of more households cutting back on their energy use due to being forced to spend more time at home during lockdown.

There is therefore a large risk that because of increased energy costs and reduced incomes, the scale of the energy debt as we exit the pandemic will be larger than before COVID-19. However, while this debt will grow, the WHD IIs are a very limited resource and cannot help all households that need support. NEA therefore believes that the debt write-off limit being set at £6m is a proportionate response to the crisis, and we believe that the £2,000 per person limit on debt clearance is appropriate. This personal limit must, however, come with some flexibility in order to avoid situations where a hard cut off will adversely impact on households in need, and could increase the administration costs of the scheme. We recommend an additional 5% of headroom if it would help clear a customer's total debt. We also recommend that households that receive such debt relief should be offered a smart meter advice, energy advice and income maximisation support, to ensure that their needs are more holistically met, and to avoid the relief simply "plugging the gap" in the short term.

More broadly, and outside of the Warm Home Discount scheme, we believe there are several other actions that Government should take to address utility debt, as explored in our paper "The Gathering Storm: Utility Debt and COVID-19"[16]:

- **Bringing forward the long awaited "Breathing Space" legislation and extend the respite offered** to reduce the impact of debt, and to give those households in problem debt the right to legal protections from creditor action while they receive debt advice and enter an appropriate debt solution.

- **Providing funding for payment matching schemes** to accelerate the repayment of utility debts. This could be done through government payments towards a customer account, similar to fuel or water direct. This would, however, need to be separate from the benefits system to ensure that in-work households could access the support.

- **Funding debt advice** which is currently underfunded in England. If personal debt levels increase as a result of the pandemic, so should funding in this area as it would provide support to those who most need it, including speciality advice regarding fuel and water debt.

- **Maintaining enhancements to Universal Credit and improving the application process.** Delays in accessing universal credit payments have a material impact on utility debt build up. This relationship should be investigated by BEIS in conjunction with DWP. Additionally, the £20/week increase to the universal credit allowance should be maintained, as recommended by the DWP Committee in their third report of the session 2019-20.[17]

- **Providing long term funding certainty on the strategy to upgrade fuel poor homes to EPC C.** Enhancing domestic energy efficiency is crucial to stop needless expenditure on essential services. In particular, the Conservative Manifesto contained welcome proposals for addressing this long-neglected area; including pledging £3.8bn on a Social Housing Decarbonisation Fund and £2.5bn on a new Home Upgrade Grant Scheme (HUGs) in fuel poor homes.[18]

Giving Confidence that the scheme goes live on April 1st 2021

The spending envelope available for the Industry Initiative portion of the scheme is relatively small, but the value of these projects per pound spent is significantly larger than the value of rebate. And while the rebate scheme is likely to be relatively unaffected by a delay in the legislation coming into force, there has been a growing concern over the summer about the impact that the delays to this consultation will have on the scoping and subsequent delivery of Scheme Year 11 (SY11) projects.

NEA therefore welcomes that this consultation recognizes that there is a risk that the Regulations may see a delay and may not come in to force before 1st April 2021, and suggests several ways in which this risk could be mitigated. It is particularly useful that the consultation suggests *"Where initiatives have been approved for scheme year 10, and they have been delivered well and have not changed, we would expect them to be eligible for 2021/22".*

However, we believe that a significant risk to project scoping and therefore a delay in project delivery will persist if there continues to be a belief that the Regulations could slip past the April 1st deadline. Suppliers are, in general, risk averse businesses, and in the recent past delays to regulations have caused a slow down in delivery. For example, the ECO 3 scheme Regulations came into force after the start date of the scheme. This led to the lowest quarter of ECO delivery in the history of the scheme since it started in January 2013[19]. A similar delay to the WHD would be unacceptable. In England, it is the only national funding in place to provide support for fuel poor households, and as noted above fuel debt issues are likely to be acute coming out of a winter with increased costs and reduced incomes. **BEIS must therefore commit to do all it can to expedite these regulations to ensure that a repetition of the beginning of the ECO 3 scheme can be avoided.**

Ensuring that Industry Initiatives deliver for those most in need

As stated above, industry initiatives are an important and valuable part of the Warm Home Discount scheme, and NEA welcomes the proposals that are designed to improve Industry Initiatives in the context of COVID-19. They provide significant value to householders, often more valuable than the rebates themselves, so should be preserved and optimized within the scheme design. In sum we believe that:

- Maintaining the debt write off cap at £6m is sensible given the issues that are likely to arise with debt as a result of the pandemic.
- The proposed £2k personal cap on debt write off is reasonable and will allow more households to receive debt relieve. We suggest that this limit comes with some flexibility, with an additional 5% of headroom if it would help clear a customer's total debt.
- We do not agree that the restriction on providing financial assistance to Core Group and Broader Group recipients should be removed. Keeping it will ensure that a greater amount of people can be helped by the scheme. If these restrictions are removed, then the cap on financial assistance should be reduced from £5m to £1m.
- We agree with the proposal to keep the financial assistance eligibility criterion of customers living in communities wholly or mainly in fuel poverty. This will ensure that the scheme remains focused on those who need support the most.
- Smart metering is an incredibly important tool for helping households out of fuel poverty, and so we are pleased to see that BEIS are considering using the WHD II programme

to help accelerate the rollout for the most vulnerable households. This advice needs to be at least consistent, but ideally standardized. NEA would be more than happy to work with BEIS to ensure that this is the case.

- It is clear that there needs to be alignment between the consumer protections for heating measures offered within WHD II projects and other government programmes. We therefore support the proposals regarding Trustmark, PAS 2030:2019 and PAS 2035: 2019

Key Recommendations

Government Must

1. Accelerate wider reforms of the scheme, consulting on a new scheme design as soon as possible including:
    a. Ensuring that all households that are eligible for the scheme receive a rebate
    b. Enhancing the spending envelope of the scheme to facilitate this
2. The regulations for the extension proposed on within this consultation must be expedited to avoid the outcomes suffered with the late delivery of the ECO regulations in 2018.
3. In order to address increased levels of utility debt, BEIS should keep the debt write-off limit at £6m as proposed, with a personal cap of £2k to ensure that more people can access debt relief. Additionally, BEIS should look to:
    a. Bring forward the long awaited “Breathing Space” legislation
    b. Provide funding for payment matching schemes
    c. Fund debt advice
    d. Maintain enhancements to Universal Credit and improve the application process.
    e. Provide long term funding certainty on the strategy to upgrade fuel poor homes to EPC C.
4. In order for the value of industry initiatives to be maintained, BEIS should not look to increase the amount of the funding pot that can be spent on fuel vouchers. These are not as valuable for households as other elements of the scheme, such as advice, benefits checks and energy efficiency measures.

In future reforms, BEIS should avoid splitting scheme design across the three nations. This will unnecessarily complicate things and result in adverse outcomes for the households it looks to support

2.

Our Response to the Consultation Questions

Question 1 - Do you agree the size of the rebate should remain at £140 for 2021/22? If not, what size do you think the rebate should be, and why?

Yes. NEA believes that the increase to the scheme envelope would be better focussed on ensuring that more people in the broader group receive a rebate, than those who receive a rebate receiving more money. In Scheme Year 8, just over 1.1m households in the broader group received a rebate, NEA and Fair by Design have estimated that a further 0.8m households qualify as part of the broader group but do not receive it due to its first come first serve rebate.[20] NEA believes that such a mechanism, where a household is judged as being in need but does not receive support is unfair. While the approach to using the inflationary increase to increase the number of eligible broader group households that receive the rebate will not eliminate this unfairness, it is a welcome move in the right direction.

Question 2 - Do you agree that the Core Group element of the Warm Home Discount scheme should continue unchanged for a one-year extension, to scheme year 2021/22?

and

Question 3 - Do you agree that the Broader Group element of the Warm Home Discount scheme should continue unchanged for a one-year extension, to year 2021/22?

Yes, we believe that Core Group and Broader Group elements of the scheme should remain unchanged for the one-year extension. Any changes to these parts of the scheme could increase the risk that the required legislation is not put in place before the April 1st deadline. While a short delay would not impact materially on rebate payments, it may impact on the scoping and therefore delivery of Industry Initiatives.

Suppliers are, in general, very risk averse businesses, and in the recent past delays to regulations have caused slow down in delivery. For example, the ECO 3 scheme Regulations came into force after the start date of the scheme. This led to the lowest quarter of ECO delivery in the history of the scheme since it started in January 2013[21].

Industry Initiatives are the only national funding mechanism to provide support to struggling energy customers, so any delay in the regulations which would in turn delay delivery of these projects would be an incredibly undesirable outcome and could result in weeks, if not months of no, or little delivery.

NEA therefore recommends that the rebate portion of the scheme should remain unchanged for the next scheme year.

Question 5 - Do you agree that the cap on debt write-off should remain at £6 million for scheme year 2021/22?

Yes, we agree that debt write off should not be reduced any further.

We have previously shown concern about the reducing cap for debt write off, and we maintain this concern given the nature of likely increased fuel debt that will be incurred due to the COVID-19 pandemic. The pandemic has exacerbated the issue of energy affordability in the short term, reducing incomes and increasing energy usage. This has led to increased utility debt. In August, Citizens Advice estimated that 2.8 million UK adults had fallen behind on their energy bills.[22] According to the ONS[23] 56% of Britains say their energy consumption is up and a recent study by Energy Helpline suggested that this could lead to a £1.9bn increase in bills between October and March. A poll conducted by YouGov for NEA showed that one in three British households are concerned about the health impacts of living in a cold home this winter.

The mix of increased energy debt before winter (when debt is usually lowest), and likely increased costs during winter (compared to a normal winter, due to spending more time at home), implies that energy debt will continue to rise. There is therefore a large risk that because of increased energy costs and reduced incomes, the scale of the energy debt as we exit the pandemic will be larger than before COVID-19.

With all of this in mind, we are therefore pleased that the proposal represents a net increase over the previously signposted trajectory.

NEA stresses that changes to this portion of the scheme only serve to “rob Peter to pay Paul” in that increases to vital support in one area reduce vital support in another. It is clear that BEIS must accelerate the expansion of the scheme as a priority, as has been trailed for several years.

Question 6 - Do you agree that there should be a cap on individual debt write-off at £2,000 for scheme year 2021/22? If not, provide evidence for alternative levels.

Yes. NEA broadly supports the principle of a debt write off cap at £2,000 in order to enable energy suppliers and delivery partners to assist customers who have a debt which is likely to be less than 4 years old, even if they have a higher than average level of debt. This will allow for more customers to be supported within the limited budget for industry initiatives, while allowing significant debt clearance for potentially more than 3,000 households.

We are however concerned that there could be a negative impact on households, and an unnecessary burden on scheme administration, if the cap does not have some flexibility to allow slightly higher amounts of debt to be cleared. This added flexibility would work to avoid situations where a hard cut off will adversely impact on households in need and could increase the administration costs of the scheme. We therefore recommend a flexibility around the individual cap. We recommend an additional 5% of headroom if it would help clear a customer’s total debt.

We also recommend that households that receive such debt relief should be offered smart meter advice, energy advice and income maximisation support, to ensure that their needs are more holistically met, and to avoid the relief simply “plugging the gap” in the short term.

NEA restresses that changes to this portion of the scheme only serve to “rob Peter to pay Paul” in that increases to vital support in one area reduce vital support in another. It is clear that BEIS must accelerate the expansion of the scheme as a priority, as has been trailed for several years.

Question 7 - Do you agree that the restriction on providing financial assistance to Core Group and Broader Group recipients should be removed?

Question 8 - Do you agree that the £5 million cap for financial assistance (12.5% overall industry initiative spend) should be maintained for the scheme year 2021/22?

No. NEA recognises that due to Covid-19, millions more households that were previously able to afford their energy costs, will now be struggle to pay their bills and no-one knows when their situations will improve. While the attempt to amend the industry initiatives portion of the WHD is to be commended, without enhancing the overall scale of Industry Initiatives, there is a risk of simply displacing existing activity and not creating any additionally.

Because of the scale of the challenge, NEA believes that Government should aim for the scheme to reach as many fuel poor households as possible. Allowing financial assistance to core group and broader group recipients may serve to undermine that objective, leading to fewer people receiving support due to the limited funding available. We are also concerned that the relative ease by which core group customers could be identified and targeted for financial assistance could lead to a disproportionate level of support for those who are already guaranteed it.

Therefore, NEA does not agree that the restrictions on core and broader group households receiving financial assistance should be lifted. If Government were to proceed with the proposed remove of these, NEA recommends that the £5 million cap be reduced to £1m so that it does not compromise other activities that are allowed within the industry initiative programme that has been shown to have larger and longer lasting value to households. If a £5m cap were to be set and then reached, it would result in (based on Ofgem data from Scheme Year 8) a reduction in spending on other measures by more than £4.6m. This would be a reduction in available spending of 21% for measures such as benefit checks, energy advice and energy efficiency measures.

As explained below, these measures provide significantly more value than cash rebates and financial assistance.

- Our Warm and Safe Homes (WASH) advice service, funded by Industry Initiatives, has been evaluated with the following findings:
    - The service appears to have increased confidence among most clients to be able to check that they are on the best energy deal.
    - Low incomes and other vulnerabilities overlap with energy-related problems to increase vulnerability to fuel poverty amongst clients.
    - Clients that are digitally excluded, have complex meters, low incomes or communication needs can face additional barriers to switching supplier and accessing the cheapest deals. The advice provided through Industry Initiative can help overcome these barriers.
    - Debt relief and fuel vouchers are often sticky plaster responses that do not get to the root cause of the problem. Our evaluation of one of our Scheme Year 9 Industry Initiative projects concluded that *"Fuel vouchers were found to alleviate a moment of financial crisis and help WASH clients re-establish the energy supplies to their home. Such support was often insufficient to alleviate ongoing financial pressures in the long-term, however. This meant there was a risk that households would fall into a situation of self-disconnection again should their circumstances remain insufficiently changed."*
- We have found that benefits entitlement checks are significantly higher value than rebates. In Scheme Year 8, £2.3m was spent overall in the scheme, helping 31,359 households, a cost of £73 per household[24]. Our own benefits checks create an average additional income of £2.7k for household. This is significantly better value for money than a single payment of a rebate or fuel voucher.
- Energy advice can often lead to switching suppliers. Ofgem say that this can save a household £260 per year on their energy bill. In Scheme Year 8, £6.0m was spent overall in the scheme, helping 442,551 households, a cost of £14 per household[25]. Even at a very low estimation that only 1 in 10 households receiving advice switch their supplier, this still returns more value than a rebate or voucher, with savings that can last multiple years.
- Energy efficiency measures are the best, lasting way of solving fuel poverty. The draft Fuel Poverty Strategy for England 2019[26] recognises this, and rebates are in no way a good substitution for permanently reducing the energy needs of a household.

Question 9 - Should Government keep the financial assistance eligibility criterion of customers living in communities wholly or mainly in fuel poverty? If not, please provide reasons.

Yes. NEA stresses the Government must keep the financial assistance eligibility criterion of customers living in communities wholly or mainly in fuel poverty. We would however, urge the

Government to define fuel poverty in this context using the statutory definition of fuel poverty as in the Warm Homes and Energy Conservation Act 2000: "A person is to be regarded as living "in fuel poverty" if he is a member of a household living on a lower income in a home which cannot be kept warm at reasonable cost". Given that the metric for estimating levels of fuel poverty varies across the three nations where the Warm Home Discount operates, this statutory definition provides the fairest way of satisfying the needs of each nation.

BEIS must not undermine the objectives of the scheme by defraying this eligibility criterion more than the marginal changes we propose above. While there is a temptation to widen it to cover all households in debt, off-gas households, those with a disability or all prepayment customers, it must be recognised that these are not good proxies for fuel poverty in isolation:

- There are four million energy prepayment households. The latest Fuel Poverty Statistics[27] from this year show that 12% of gas prepayment households, and 15% of electricity prepayment households are fuel poor.
- There are more than 2.7m households that do not heat their homes using gas, of which less than 20% are fuel poor.[28]
- Compared to the 2.4 million households living in fuel poverty:
    - Citizens Advice has estimated that 2.8m households have fallen behind on their energy bills during the pandemic compared to 2.4m households living in fuel poverty.[29]
    - The disability charity Scope say that there are 14.1 m people in the UK living with a disability. [30]

Furthermore, NEA's evaluations of WHD projects has shown that only 15% of households receiving support (through the evaluated schemes) felt they could keep their homes comfortably warm before receiving support. Applying the definition of Fuel Poverty as in the Warm Homes and Energy Conservation Act, this represents a good level of targeting with the current restrictions in place.

Question 10- Do you agree that, in addition to energy advice, advice about the benefits of smart meters should be provided, so far as is reasonably practicable, to every customer benefiting from an Industry Initiative?

Yes, NEA agrees that advice about the benefits of smart meters should be provided to customers benefitting from an industry initiative.

From our experience, the vulnerable energy consumers who meet the criteria to benefit for an industry initiative often need additional levels of support to:

- Benefit equally from the smart meter programme;
- Engage with marketing messages to promote the smart rollout;
- Understand how their new meter and In-Home Display (IHD) work;
- Understand and adopt energy saving behaviours and measures; and
- Fully understand the opportunities (and any risks) for allowing a supplier to access their half hourly usage data from their smart meter.

This advice is especially pertinent for financially vulnerable prepayment customers. NEA had hoped that by now the benefits of smart 'pay as you go' would be a major success of the rollout and due to the reduced cost to serve these customers, suppliers would be now coming forward with cheaper tariffs for PPM customers. This outcome has however not materialised. As of September 2019, only 7,000 SMETS 2 meters were in prepayment mode[31], and as of the end of December 2019, there were still more than 4.8m legacy prepayment meters yet to be upgraded to smart meters, or operating in traditional mode[32]. Smart meter installs significantly fell due to lockdown measures. BEIS reported just 135,000 installs occurred between April and June, compared to over a million in the same period in the preceding year.[33]

PPM customers have potentially the most to gain from the installation of a smart meter. Through smart prepay tariffs, households have the ability to top-up online, meaning that there is less chance of long periods of self-disconnection occurring due to forgetfulness (perhaps due to a medical condition), or where mobility issues mean that the customer finds it difficult to get to a place where they can top up, or even to access the meter in their own home. These clear benefits have been demonstrated through the pandemic where positive outcomes for smart PPM customers have been in strong contrast to those who still need to rely on legacy PPMs who have continued to have to travel to a decreasing number of locations to buy top-up cards because they don't have a pre-pay smart meter.

Smart PPM can also help identify customers most at risk of self-disconnection. Citizens Advice have found that more than 100,000 prepayment customers self-disconnect each year[34] due to affordability issues, which could lead to dangerously cold homes. Suppliers are better able to monitor prepayment meter usage through smart meter data and then support those customers. Additionally, in their investigation into the energy market, the CMA identified a significant detriment in the market for prepayment customers[35], which they believed could be resolved through the smart meter rollout, presenting the prepayment price cap as an interim measure. In order to avoid the detriment arising again, it is key that the rollout for prepayment customers is prioritised, and that the prepayment price cap is extended to such a date when this has been achieved.

NEA has therefore stressed that to realise the huge benefits for PPM customers of smart PPM will require a discrete and deliberate focus, which is currently not evident. Imposing this new requirement on industry initiatives will go some way to achieving a better smart rollout for vulnerable households, but BEIS should be under no illusion that significant work would still need to be done through Smart Energy GB in order to realise the full benefits.

While NEA supports the proposal, there is a concern that there is a possibility that advice could vary significantly depending on who is giving it. Therefore, we believe that this advice needs to be at least consistent, but ideally standardized. NEA would be more than happy to work with BEIS to ensure that this is the case

Question 11 - Do you agree that businesses installing and repairing boilers and central heating systems under the WHD Industry Initiatives should be TrustMark registered from 1 April 2021? Please provide reasons for your answer.

and

Question 12 - Do you agree that the installations of boilers, in high risk properties and central heating systems in all homes, should be installed in accordance with PAS 2030:2019 and PAS 2035: 2019 from 1 April 2021? Please provide reasons for your answer.

Yes, NEA agrees with the incorporation of TrustMark, for installers to be TrustMark into the scheme and that the installations of boilers, in high risk properties and central heating systems in all homes, should be installed in accordance with PAS 2030:2019 and PAS 2035: 2019 from 1 April 2021. This ensures that the standards of the scheme run parallel to ECO and the Green Homes Grant and achieves a good level of minimum standard across Government schemes.

Question 13 - Do you agree with the introduction of technical monitoring for boilers and central heating systems installed or repaired under WHD from 1 April 2021? Please provide reasons for your answer.

No, NEA does not believe it is proportionate to impose technical monitoring for boilers and central heating systems installed or repaired under WHD from 1 April 2021. While it would clearly be useful to know whether an installation has been completed to the required standards, NEA is concerned that the practical difficulties of achieving this would be difficult to overcome because it would be expensive to implement, and our experience with technical monitoring within fuel poor and vulnerable households suggests that it takes significant effort to ensure that the monitoring is successful, including advice to households on what the monitoring is doing and what they should and shouldn't do to avoid interference, and multiple visits to the households to confirm that the monitoring is working. Given that the increase to the total envelope to the scheme is modest at best, NEA is concerned that this proposal would only result in a reduction in spending on other industry initiative measures. It is also concerning that BEIS have not conducted any assessment on the impact of this proposal on the scheme, meaning that a decision could be taken without understanding the costs of the proposal, and therefore how much work will be substituted out as a trade of for quality assurance.

Question 14 - Do you agree that the supplier participation thresholds should remain unchanged for scheme year 2021/22?

No. While NEA understands the need for continuity within the one year extension, NEA has previously supported the reduction in supplier participation thresholds and has argued that they should be reduced further to reduce the complexity in the market created by some suppliers, often with cheaper suppliers, not offering the warm home discount to either the core or broader group. This creates confusion when switching and is effectively a barrier to switching for some of the most vulnerable energy consumers. These issues will persist unless the participation thresholds are addressed.

Question 16 - Do you agree with the requirement for the failing energy supplier to report on their paid and unpaid Core Group and Broader Group customers and Industry Initiative spending incurred? If not, please explain your reasons. We welcome views on potential alternative arrangements.

and

Question 17 - Do you agree that an SoLR and WHD participant who volunteers to pay non-core obligations of a failing WHD participant should be allowed 10% non-core overspend? If not, why not? If you think a different % should be applied, please explain your rationale.

Yes. NEA fully supports the proposed changes to the scheme to better facilitate the transfer of an obligation when a SOLR process takes place, an issue NEA has expressed concern about in recent months. We also notionally support the intention behind the proposed allowed 10% overspend, on the condition that it at least would have covered all promised broader group rebates from previous SOLR processes.

However, there may still be instances where this allowed underspend is not enough to cover the failed supplier's obligation and it should be clear that households should not be the ones to lose out if their suppliers go out of business. To account for any anomalies on the future, we propose that the allowed overspend should be linked to the ratio of the original customer base of the SOLR compared to the customer base they are taking on. For example, a supplier with one million customers taking on 500,000 more through a SOLR process, should be allowed an overspend of 50% to account for this increase in customers.

Question 20 How might changes to scheme design result in costs to suppliers, for example if eligibility were different in different national schemes, and how could these impacts be prevented or mitigated?

Question 21 - Should supplier thresholds for separate schemes be the same in England and Wales and Scotland? Please provide your reasons.

While NEA respects the devolution of powers which enable Scotland to have a different approach to the scheme, NEA strongly believes that the scheme design should not differ across nations. Ensuring the aims of a GB-wide programme are aligned across the nations does not necessarily require divergence. This is especially true as NEA's proposals[36] for the scheme have long since been supported in Wales and Scotland. Divergence will also be unduly complicated for suppliers, households accessing the scheme, advisers helping households, and organisations that deliver industry initiatives. Although the metric for estimating levels of fuel poverty across the nations differs, the overall aim to help households to keep warm and well over winter does not.

There is a significant risk that a scheme design that is far easier to administer in one nation than another could result in a skewing of funding, whereby customers in one nation receive a disproportionate amount of support. This would be an unacceptable outcome.

We are particularly concerned that BEIS are considering different supplier thresholds for different nations. No supplier is able to supply just one region, so this will have to be done on the basis of the number of customers that a supplier has in each reason. There will be no extra administrative burden to operating a scheme in two or three nations compared to just one, so we do not see how applying these thresholds could result in positive outcomes for households.

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[1] For more information visit: www.nea.org.uk.

[2] NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.

[3] Over the last 5 years, there has been an average of 35,562 excess winter deaths. NEA estimates that approximately 30% of these are attributable to the impact cold homes have on those with respiratory and cardio-vascular diseases and the impact cold has on increasing trips and falls and in a small number of cases, direct hyperthermia. This is in line with estimates made by the world health organisation - http://www.euro.who.int/__data/assets/pdf_file/0003/142077/e95004.pdf

[4] **Office for National Statistics, November 2018, see:** https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/excesswintermortalityinenglandandwales/2017to2018provisionaland2016to2017final

[5] The main causes of excess winter deaths are attributable to respiratory and cardio-vascular diseases which are badly exacerbated by cold conditions. Other causes may include influenza, trips and falls or in a small number of cases, hyperthermia. Public Health England cites studies that 10% of excess winter deaths are directly attributable to fuel poverty and that a fifth of EWDs are attributable to the coldest quarter of homes. This was regarded as a 'conservative' estimate as separately the World Health Organisation stated that 30% is the best estimated share – based on European evidence – of EWDs that can be considered attributable to cold housing conditions. This suggests that poor energy performance – manifested in homes that are hard and/or expensive to heat, thereby exacerbating the risks of respiratory and circulatory problems and poor mental health – is a significant contributory factor to the number of EWDs in the UK.

[6] On average, this results in over 10,000 British citizens dying needlessly due to cold homes each year. For more information see UK Fuel Poverty Monitor Report 2018, NEA and EAS, page 3. See: http://www.nea.org.uk/wp-content/uploads/2018/09/UK-FPM-2018-FINAL-VERSION.pdf.

[7] According to a recent NEA call for evidence many fuel poor households are adopting unsafe strategies to try and survive winter. This includes the regular use of older dangerous or un-serviced heating appliances is commonplace, despite being potentially fatal or leading to heightened risks for nearby neighbours as a result of carbon monoxide poisoning or in extreme situations, fires, and explosions. Many more people are going to bed early to keep warm and using candles to save on electricity. People struggling to heat their homes are also spending their days in heated spaces such as libraries, cafes or even A&E to avoid the cold, damp and unhealthy homes continue to cause shocking levels of unnecessary hardship and premature mortality.

[8] In 2016 BRE released its revised Cost of Poor Housing (COPH) report, which estimated the cost of poor housing to the NHS based on EHS and NHS treatment costs from 2011 and includes treatment and care costs beyond the first year. It also includes additional societal costs including the impact on educational and employment attainment. Finally, it provides information in terms of QALYs (Quality adjusted life years) as well as cost benefits, and to compare with other health impacts. The report estimates that the overall cost of poor housing is £2bn, with up to 40% of the total cost to society of treating HHSRS Category 1 hazards falling on the NHS. Overall, the cost to the NHS from injuries and illness directly attributed to sub-standard homes was estimated at £1.4billion, and the total costs to society as £18.6 billion.

[9] https://www.ofgem.gov.uk/publications-and-updates/warm-home-discount-annual-report-scheme-year-8

[10] Based on an estimate (from learner feedback) that each learner expects to provide advice to 7 households per week and works approximately 48 weeks a year.

[11] https://www.gov.uk/government/news/new-proposals-to-help-vulnerable-people-benefit-from-cheaper-energy

[12] https://fairbydesign.com/wp-content/uploads/2020/02/02_NEA_WHD_doc_v04_Front_8pgs_DOWNLOAD.pdf

[13] https://wearecitizensadvice.org.uk/hundreds-of-millions-of-pounds-of-council-tax-and-rent-arrears-is-a-long-term-risk-742dae3df79b

[14] https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/personalandeconomicwellbeingintheuk/may2020

[15] https://www.nea.org.uk/wp-content/uploads/2020/07/UK-FPM-2019-EXEC-REPORT.pdf

[16] https://www.nea.org.uk/wp-content/uploads/2020/09/The-Gathering-Storm-Utility-Debt-and-Covid-19-June-2020.pdf

[17] In their 3rd report of the 2019-2021 session (Universal Credit: the wait for a first payment), the DWP committee recommended that "The Department should commit to maintaining the increases in support [to universal credit] that have been provided during the pandemic. For the report, see https://committees.parliament.uk/publications/3069/documents/28787/default/

[18] The welcome proposals were reaffirmed in the Queen's Speech. They must be committed to within the next major fiscal event of the year, the Government's upcoming Infrastructure Strategy, wider plans for the recovery and the next Comprehensive Spending Review. For costings of the

schemes, see https://assets-global.website-files.com/5da42e2cae7ebd3f8bde353c/5ddaa257967a3b50273283c4_Conservative%202019%20Costings.pdf

[19] Table 4.1 of the BEIS Household Energy Efficiency Statistics, headline release September 2020 shows that from October – December 2018 (the first three months of ECO 3), 11,025 households received measures through the programme. The next worst quarter households receiving measures is April – June 2020, a time when significant restrictions were placed on households and the workforce during the COVID-19 Pandemic. For the statistics, please visit https://www.gov.uk/government/statistics/household-energy-efficiency-statistics-headline-release-september-2020

[20] https://fairbydesign.com/news/whd-campaign

[21] Table 4.1 of the BEIS Household Energy Efficiency Statistics, headline release September 2020 shows that from October – December 2018 (the first three months of ECO 3), 11,025 households received measures through the programme. The next worst quarter households receiving measures is April – June 2020, a time when significant restrictions were placed on households and the workforce during the COVID-19 Pandemic. For the statistics, please visit https://www.gov.uk/government/statistics/household-energy-efficiency-statistics-headline-release-september-2020

[22] https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/debt-and-money-policy-research/excess-debts-who-has-fallen-behind-on-their-household-bills-due-to-coronavirus/

[23] https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/personalandeconomicwellbeingintheuk/may2020

[24] https://www.ofgem.gov.uk/publications-and-updates/warm-home-discount-annual-report-scheme-year-8

[25] https://www.ofgem.gov.uk/publications-and-updates/warm-home-discount-annual-report-scheme-year-8

[26] The Fuel Poverty Strategy 2019 states “Improving energy efficiency is the best long-term solution to tackling fuel poverty”. See https://www.gov.uk/government/consultations/fuel-poverty-strategy-for-england

[27] https://www.gov.uk/government/statistics/fuel-poverty-detailed-tables-2020

[28] From the Fuel Poverty Statistics 2018 Detailed Tables – table 12 https://www.gov.uk/government/statistics/fuel-poverty-detailed-tables-2020

[29] https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/debt-and-money-policy-research/excess-debts-who-has-fallen-behind-on-their-household-bills-due-to-coronavirus/

[30] https://www.scope.org.uk/media/disability-facts-figures/#:~:text=Number%20of%20disabled%20people,disabled%20people%20in%20the%20UK.

[31] https://www.parliament.uk/documents/commons-committees/business-energy-and-industrial-strategy/Correspondence/2019-20/Letter-from-Lord-Duncan-on-smart-meters.pdf

[32] This number has been calculated using both publicly available data from the BEIS Smart Meter quarterly report showing the number of smart and traditional meters in operation, and correspondence with BEIS that identifies that 19% of smart meters are in prepay mode compared to 15% of all meters. For the official BEIS data, which shows that there were 15.2m domestic smart meters installed from a total of 51.8m meters, please see https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/872155/2019_Q4_Smart_Meters_Statistics_Report.pdf

[33] https://www.gov.uk/government/statistics/smart-meters-in-great-britain-quarterly-update-june-2020

[34] The Citizens Advice report “Improving support for prepay customers self-disconnecting” found that “Around 140,000 households could not afford to top-up their PPM in the last 12 months”. For the full report see https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/improving-support-for-prepay-customers-self-disconnecting/

[35] The CMA Energy market investigation found that “The detriment suffered by the prepayment customers of the Six Large Energy Firms equated to 12% of a typical bill, substantially more than customers paying by direct debit (8%) and standard credit (7%).” For the overview, please see: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/531204/overview-modernising-the-energy-market.pdf

[36] https://www.nea.org.uk/wp-content/uploads/2020/10/NEA-CSR-2020-Representation-Final_v2.pdf