National Energy Action (NEA) response to UK Government consultation on the Fuel Poverty Strategy for England

About National Energy Action (NEA)

NEA[1] works across England, Wales and Northern Ireland to ensure that everyone in the UK can afford to live in a warm and safe home[2]. 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. NEA's campaigning and policy work seeks to channel the in-house expertise gained from our delivery and research work in order to better inform national policies and policy makers to end fuel poverty across the UK.

Background to this response

The Warm Homes and Energy Conservation Act 2000[3] sets the primary legislative basis for action to end fuel poverty. The Act also describes what is meant by the term "living in fuel poverty"[4]. In 2003, the first UK-wide Fuel Poverty Strategy Annual Progress Report stated that "the goal of the UK Government and the Devolved Administrations is to seek an end to the problem of fuel poverty. In particular we will seek an end to the blight of fuel poverty for vulnerable households by 2010". Since then however, energy prices have soared[5], national definitions of fuel poverty have changed[6], there has been a large reduction in support offered by local authorities[7] and national energy efficiency programmes[8], key powers[9] have been devolved, and regrettably, the original goal to end fuel poverty across the UK (or within the nations[10]) has not been met. Based on the last known statistics[11], using the previous 10% definition, 4.5m households across the UK were in fuel poverty in 2015[12].

Following the findings of the Independent Review of Fuel Poverty in England led by Professor John Hills[13] and the Fuel Poverty Strategy 2015[14] for England, the UK Government introduced a statutory target[15] to get all fuel poor households in England to Energy Performance Certificate (EPC) Band C by 2030, alongside near-term milestones[16]. This was a significant development that NEA welcomed[17], especially the greater focus on addressing energy inefficiency as the key driver for fuel poverty levels and the commitment to focus resources on "the worst first". The Government also adopted Professor Hills' existing relative Low Income High Costs (LIHC) indicator for fuel poverty[18] which reduced the number of fuel poor homes and made the measurement of fuel poverty more complex. NEA continues to believe that dramatically improving domestic energy efficiency levels remains the most enduring solution to ending the cost and needless suffering of those in fuel poverty[19] and we also support other key actions to safeguard vulnerable domestic customers, particularly those living on the lowest incomes[20].

The ways in which NEA have tried to contribute to the current Fuel Poverty Strategy include:

- ***Improving the energy efficiency standards of fuel poor homes*****;** through NEA's Health and Innovation Programme (HIP), NEA and our partners delivered energy efficiency advice and measures to over 9,000 households. Households were typically on very low-incomes, and 59% had a limiting or long-term health condition and/or disability. The vast majority of households (68.5%) moved up one or more EPC Bands. Our "Technology Innovation Fund" also supported over 44 projects, involving 19 types of technology and 66 products, all targeted at people in vulnerable situations.

- ***Working together to help the fuel poor through partnership and learning*****;** by working with a diverse range of private and public sector organisations (including our current Business Supporters Group – see full membership in Annex 2) we have been able to deliver positive outcomes for fuel poor households. Partners have included energy suppliers, energy networks, energy efficiency installers, health bodies, water companies, the armed services and a wide range of third sector organisations and national/local Governments. We also bring together a large and diverse range of stakeholders every year for the biggest annual fuel poverty conference in the UK.

- ***Increasing effective targeting of fuel poor households;*** our advocacy on the Digital Economy Act has helped energy suppliers to better identify households with certain needs and reduced the costs of delivery of the Warm Home Discount and Ofgem's Safeguard Tariff. Through our training courses, including "Identifying Fuel Poverty and Vulnerability", each year we train approximately 3,000 frontline staff, who will go on to help an estimated one million people.

- ***Improving the reach of support for certain high-cost homes;*** through our projects with gas networks to help deliver the Fuel Poor Network Extension Scheme, particularly "Connecting Homes for Health" which targeted fuel poor homes with certain health conditions which make householders vulnerable to the cold and installed First Time Central Heating (FTCH).

- ***Improving the reach of support to certain low-income households;*** though our continued participation in Warm Home Discount industry initiatives last year (2017/18), we led five industry initiative schemes, helping circa 4,000 people with their energy bills.

- ***Tackling the financial burden of energy bills for those on low-incomes;*** though our income maximisation services, including benefit entitlement checks, we helped secure over £500,000 of unclaimed benefits for low-income households in the last financial year alone.

- ***Ensuring the fuel poor are able to get maximum benefit from a fair and functioning energy market***; through regular engagement with Ofgem, NEA, alongside other consumer groups, have helped secure key improvements in the treatment of fuel poor households. Most recently, this has included pushing Ofgem to commit to refining their distributional analysis tools to ensure that their decisions are fair and equitable.

- ***Enhancing and improving understanding of fuel poverty***; through our research, including our reports - "In from the Cold" , "Bridging the Gap" , "Get Warm Soon?" , "Under One Roof" and our annual Fuel Poverty Monitors . In 2017/18 our media work generated 775 opportunities to see or hear about fuel poverty in the press, helping raise awareness of the issue and engage new audiences.

Summary of our key points and recommendations

Despite some limited, but welcome, progress delivering on the aims of the Fuel Poverty Strategy[21], cold, damp and unhealthy homes continue to cause shocking levels of unnecessary hardship and premature mortality. In 2017/18, excess winter deaths exceeded 50,000 across the UK, and NEA estimates that 17,000 people died because they were unable to keep adequately warm at a reasonable cost. On average, across the UK, at least 11,400 people die each year due to a cold home.[22] In addition, over 2 million fuel poor homes in England continue to have no or inadequate levels of loft insulation, over half a million have uninsulated cavity walls and 1 million have solid walls with no insulation and are the most expensive to heat. The delivery of energy efficiency improvements has also dramatically slowed, particularly in England. The Department for Business, Energy and Industrial Strategy (BEIS) Select Committee recently noted that the rate of loft and wall insulation measures going into houses under the only remaining Government scheme is 95 per cent lower than what was delivered in 2012[23] and stated the UK 'stands no chance' of meeting its 2050 net-zero emissions target without urgent action on energy efficiency. They also called on the UK Government to revive 'failing' policies to meet climate change targets and end fuel poverty. Without more ambitious action, the Committee on Fuel Poverty (CFP) have also estimated 160,000 fuel poor households could still be living in the least efficient homes by 2020 in England and the Government is well off-track meeting its 2030 statutory target. As well as the devastating impacts cold homes have on their occupants, the delayed cost of inaction extend to all of us; needless health & social care costs[24], queues at GPs and A&E, as well as delaying the discharge of the most vulnerable patients from hospital[25].

NEA believes the most pressing issue to address is a lack of adequate resource to meet the statutory energy efficiency fuel poverty requirements in England. The CFP has calculated that to meet the UK Government's statutory duty, a funding shortfall of £15.1 billion currently exists. This is the shortfall after considering the impacts of the two policies that are currently approved and in place - ECO3 for 2018 to 2022 and the amended Private Rented Sector (PRS) regulations that require properties to reach EPC Band E. In their written submission to the BEIS committee[26], the Committee on Fuel Poverty have also estimated that if implemented, the Clean Growth Strategy proposals[27] could realistically lower this shortfall by £6.2 billion. This £6.2 billion breaks down into £2.1 billion for extending 'ECO funding' to 2028, £2.7 billion for extending the PRS trajectory to EPC Band C in 2030 and £1.4 billion for making social housing achieve Band C by 2030. However, these proposals have yet to be implemented and even assuming that Government do in fact implement the above Clean Growth Strategy recommendations it would still not achieve the 2020 and 2025 fuel poverty milestones.

Earlier this year, the Government legislated for a 2050 net-zero carbon target. The Committee on Climate Change (CCC) warned an additional 2.4 million households could be pushed into fuel poverty across the UK by 2030[28]. It is therefore more important than ever to ensure that the transition to a low-carbon economy is fair and equitable, and as noted by the CCC when they issued their advice to the UK Government; addressing fuel poverty is a crucial part of meeting the new stretching carbon targets. Without enhancing current efforts, climate change targets will not be met, and poorer households will benefit the least from energy policies, whilst paying a higher share of the costs, despite making lower contributions to overall emissions. NEA therefore welcomes this updated Strategy and the opportunity to comment on the UK Government's proposals on a new metric, guiding principles and the policy measures needed to meet legal fuel poverty commitments. Our recommendations also aim to meet the wider aims in the Clean Growth Strategy (to improve all homes to EPC Band C by 2035 across the UK), the minimum energy efficiency standards in the Private Rented Sector (in England and Wales) and aims of the Conservative Manifesto. Where possible, our response draws on the findings of a call for evidence[29] for this year's UK Fuel Poverty Monitor report which reviews progress in delivering existing fuel poverty strategies across each UK nation. Our key recommendations are noted below.

A new metric

NEA agrees that a new metric of fuel poverty is needed to simplify the complex existing Low Income High Costs (LIHC) indicator[30]. In our recent call for evidence, 82% of respondents said it was ineffective in defining and identifying households in or vulnerable to fuel poverty. Whilst it was felt that the indicator has been useful in illustrating the fuel poverty gap, stakeholders noted that:

- It is difficult to use LIHC to demonstrate fuel poverty at an individual level, risking vulnerable households being excluded from support; and
- It is a difficult concept to explain to the general public, thus transforming it into a technical tool rather than a practical one for advisors.

The consultation document outlines Government proposals for updating the way fuel poverty in England is defined and measured. NEA hopes the proposed 'Low Income Low Energy Efficiency' (LILEE) measure would reduce this complexity. The LILEE measure would also address the amount of households moving in and out of fuel poverty (churn) and be better aligned with the key goals of the strategy overall. It would also increase the number of households considered to be fuel poor in FPEER Bands D-G by over a million and we welcome the prospect that these households will be assisted with energy efficiency improvements by 2030. The change would however reclassify around 200,000 households in Band C and above from fuel poor to non-fuel poor and we stress the need for the Government to indicate how they would continue to monitor the LIHC headcount and fuel poverty gap across all EPC Bands. On-going support will also need to be provided to:

- Households who cannot be improved to Band C; and
- Households living in properties Band C or above but who are struggling on low-incomes and will need to benefit from income support measures, energy rebates and/or wider protection from retail energy markets.

NEA also notes the need to move away from the current FPEER methodology for assessing the energy costs of a household. This method means that Warm Home Discount (WHD) recipients have a higher rating than those with identical properties. This infers a costly and inefficient approach and potentially masks failures in improving the energy efficiency of households. NEA also recommends small adjustments are made to the income threshold. Further details on this area can be found in our response to question 2 of the consultation.

The 2030 target and milestones

NEA strongly agrees that, as a minimum, the Government should retain the current Band C target and interim milestones. We did however note, at the outset of the strategy, an opportunity to reform the current final objective and set a revised end date of improving the homes of low-income households to a minimum of EPC Band C by 2025, not 2030. We suggested reform to the two interim milestones and argued they should have the same statutory basis as the 2030 target and that the Government should tightly define the term 'as far as reasonably practicable[31]'. NEA continues to believe this more ambitious timeline is practical and would result in the poorest households realising the benefits of significant energy efficiency improvements over a longer period. We also still believe the Government should tightly define the term 'as far as reasonably practicable' to signal a stronger commitment to reach these targets and help secure vital investment, jobs and skills. This is especially important given the wider deterioration of market conditions within the energy efficiency industry, which, unless urgently addressed, will undermine the attainment of both the fuel poverty and net-zero commitments. Given the huge potential for technical innovation and the cost reduction potential of delivering energy efficiency improvements (particularly in social housing), the Band C target should also be reviewed no later than 2025 to see if it is cost effective to meet a higher passive house or zero carbon homes standard within this timeframe. This action would also help the UK Government meet the new stretching net-zero carbon target.

Guiding principles for meeting the fuel poverty target

NEA agrees with each of the four guiding principles articulated within the consultation.

Retaining the '**worst first'** principle is critical and aligns well with NEA's own views on how best to address fuel poverty, ensuring policies help households in the deepest fuel poverty. There is currently very limited evidence to suggest that the principle has been applied[32] and this must be reflected in future policies.

Cost-effectiveness is also an important aspect of Government policy as taxpayers' or bill-payers' money should never be wasted. It is right that this is a consideration within the Fuel Poverty Strategy. However, there is a tension between this and the 'worst first' principle, as those in most need often need more support. Whilst BEIS have been good at evaluating the costs associated with fuel poverty schemes, there has been less work on the co-benefits, especially those associated with energy efficiency. BEIS must address this for future schemes by attempting to quantify more co-benefits, especially the health benefits and subsequent NHS savings, that energy efficiency measures can present in fuel poor households.

The refining of the **vulnerability principle** is promising, especially the adoption of the NICE guidelines. BEIS must, however, be careful in the identification of vulnerabilities. Whilst each of the considered aspects of vulnerability (health, age and income level) are clearly important, it is not necessarily the existence of these in isolation that makes a household vulnerable, but more likely a combination of two, or three, of them. This principle needs to be sharpened in order to ensure that the strategy does not become too dilute in its aims.

Finally, **sustainability** is key and especially prescient given the Government's commitment to become a net-zero economy by 2050 and legal requirements to improve air quality. As noted by the CCC and BEIS Select Committee, improving the energy efficiency of homes is essential to meeting our carbon and air quality targets. However, it is not currently clear what policy mix will allow all consumers, especially the fuel poor, to benefit from decarbonisation policies. The reliance on consumer funded mechanisms also makes the current policy landscape exceptionally regressive and the few policies funded through taxation - like the Renewable Heat Incentive - have done very little to support fuel poor householders to offset the cost of installing low-carbon heating systems in their homes due to the way the scheme operates. This is despite the CCC recommending[33] that the policy be made more accessible to low-income and fuel poor households and despite the UK Government committing in 2016 to target the RHI at fuel poor households[34].

Proposals for meeting the target

NEA believes the most pressing issue to address is a lack of adequate resource to meet the statutory energy efficiency fuel poverty requirements in England. Assuming the Clean Growth Strategy proposals lower the current gap by £6.2 billion, central investment will be needed if the Government is to achieve the 2020 and 2025 fuel poverty milestones. Based on the current metric, the Committee on Fuel Poverty therefore recommended that to achieve the 2020 milestone, Treasury should allocate circa £1 billion of funding to run from 2019 to 2021. They also recommended that a further £1.8 billion should be allocated to run from 2022 to 2025 in order to achieve the 2025 milestone. This is the most crucial action that BEIS can take in the short-term and we fully support the CFP's proposals for a new 'Clean Growth Fuel Poverty Challenge Fund'[35] operating from late 2019 to 2025. It would help the poorest households living in Band F and G homes, mainly in rural areas, and other hard to heat homes and therefore support the worst first principle. It was therefore hugely disappointing that Treasury decided not to commit any further funding to energy efficiency within the most recent spending round or subsequent spending announcements[36]. Without taking advantage of upcoming fiscal events this year, the first milestone will be missed and over 160,000 fuel poor households could still be living in the least efficient homes by 2020 in England and the delayed cost of inaction will further backload delivery of the 2030 statutory target. The adoption of the LILEE measurement and the addition of over a million fuel poor households will only serve to make it more crucial to commit to adequate investment.

Additionally, we believe that it is critical the Warm Home Discount is extended past its current end date of 2021. Without certainty over the future of the scheme, NEA (and a wide range of other organisations) will not be able to maintain our work to award grants, fuel debt advice and wider services. The envelope of the programme must also increase so that the mandatory broader group receive the full rebate automatically, and the annual budget for industry initiatives can increase. NEA have also demonstrated how this could be done in a cost-neutral way, by reconfiguring how the cold weather payments work, or leveraging the savings made by the BEIS smart systems and flexibility plan. Enabling the mandatory broader group to receive the full rebate automatically would help at least an extra 0.6 million households who are in full or part-time work but can't currently afford basic essentials and possibly more than 1.5 million overall[37]. The expansion of activities under industry initiatives is warranted as it can provide better value for money than switching or even direct yearly rebates.

NEA has also highlighted how to address a looming funding crisis facing preventative health-related fuel poverty schemes[38]. Ill health from cold homes is currently a costly burden:

- The Building Research Establishment (BRE) estimates that the overall national cost to the NHS in England of poor housing is £1.4bn a year. If the full cost to society included medical costs plus, for example, lost education and employment opportunities, the true figure could be as high as £18.6bn[39]
- Cold homes are proven to negatively impact cardiovascular disease and common mental disorders (CMDs). The individual cost of cold homes to the NHS for cardiovascular disease alone has been calculated at £3,124 per case. For respiratory illness, it is £4,359 per case, and for falls in the home it costs £2,453 per case. For CMD, the costs of cold homes are £1,543 per case.[40]

As well as highlighting how cold homes are still causing preventable cost and suffering, NEA highlights findings from our own social evaluation of the HIP programme which shows the positive impact energy efficiency and advice interventions can make to physical and mental health[41].

NEA also highlights that the current Minimum Energy Efficiency Standards (MEES) cost cap for landlords is too low, and should be increased to £5k, in line with recommendations made by the Committee on Fuel Poverty. There are also pressing issues with a lack of coverage of Energy Performance Certificates (EPCs) in Houses of Multiple Occupation (HMO) properties and show how this could be addressed alongside greater enforcement so that local authorities can have the best chance of ensuring that PRS homes in their area are fit-for-purpose and free dangerous housing hazards. NEA stresses that, combined, these 'emergency measures' are 'practicable' and should be announced within the response, the next upcoming fiscal event or (at the latest) within the up-coming three-year Comprehensive Spending Review (CSR), next year. Beyond these 'emergency measures', the UK Government also need to commit to developing a suitably ambitious policy package to meet the final Band C target for 2030, meet the wider aims of the Clean Growth Strategy and reach net-zero. NEA therefore strongly supports calls to make energy efficiency an important national infrastructure priority and have worked closely with the Energy Efficiency Infrastructure Group (EEIG) to develop a detailed action plan for a comprehensive Buildings Energy Infrastructure Programme. Our shared vision for this programme draws on learning from energy efficiency delivery for low-income households in the devolved nations of Northern Ireland, Scotland and Wales in recent years. The framework should include:

1) **Using regulation to drive private investment** by tightening rented sector regulation over time to an EPC rating of Band C by 2030, alongside suitable incentives for private landlords;

2) **Setting out the future scale and shape of ECO post-2022,** making the programme more accessible and more likely to support the households in greatest need;

3) **Introducing complementary locally-led energy efficiency schemes and a national 'safety net' scheme**. Like Warm Front, the latter would help fuel poor households who miss out on, or cannot wait for, local support;

4) **The establishment of an independent energy efficiency delivery body and reintroduction of renovation advice provision, alongside full adoption of the independent Each Home Counts review's recommendations** to ensure informed consumer choice backed by the highest quality and safety standards; and

5) **The re-establishment of targeted (non-levy funded) able-to-pay incentives.** This could include a demonstration programme to test and refine a Stamp Duty incentive, zero-interest loans, and incentives to pump-prime demand for green mortgages as recommended by the Green Finance Taskforce.

The recommendations above and summarised below would support the UK Government to deliver the Clean Growth Strategy's welcome aim to bring all UK homes up to EPC Band C by 2035 and all low-income homes in England up to Band C by 2030 to meet the fuel poverty target. In so doing, it is possible to reduce energy bills, fuel poverty, health costs and carbon emissions whilst increasing productivity, competitiveness, employment, infrastructure investment, energy security and the overall UK fiscal position.

Summary of key recommendations within this response

1. At a minimum, retain the current statutory 2030 fuel poverty target and associated 2020 and 2025 milestones

2. Reform the current complex existing Low Income High Costs (LIHC) indicator and replace it with the Low Income Low Energy Efficiency (LILEE) measurement

3. Remove the distortion created by including energy rebates within the fuel poverty calculation methodology for assessing the energy costs of fuel poor households

4. Retain the 'worst first' principle and apply it consistently to all relevant domestic energy policies and ensure the cost-effective principle does not preclude energy efficiency measures that can have significant benefits to fuel poor households (in particular solid wall insulation).

5. Introduce a new 'Clean Growth Fuel Poverty Challenge Fund' operating from late 2019 to 2025 to help the poorest households living hard to heat homes.

6. Extend and expand the Warm Home Discount Scheme and set out the future scale and shape of ECO post-2022.

7. Sustain current preventative fuel poverty and housing initiatives and take wider steps to enable health and other frontline services to play a key role in ending fuel poverty.

8. Make further reforms to the Private Rented Sector (PRS) and ensure local authorities can enforce higher standards of energy efficiency in the PRS.

9. Introduce the aforementioned 'emergency measures' within the response to the strategy or next fiscal event to get back on track towards meeting the statutory fuel poverty target. Simultaneously designate energy efficiency a National Infrastructure Priority and set out a clear timeframe for introducing a comprehensive Buildings Energy Infrastructure Programme.

10. Use powers in the Digital Economy Act to ensure that energy suppliers, networks and local health bodies can better identify customers in receipt of certain benefits, reducing the cost of identifying households that are eligible for energy rebates or energy efficiency schemes.

Detailed response to the consultation questions

Question 1. Do you agree with the Government's proposal to update the fuel poverty metric to Low Income Low Energy Efficiency? If not, which metric would you prefer and why?

NEA agrees that a new metric of fuel poverty is needed to simplify the complex existing Low Income High Costs (LIHC) indicator[42]. NEA's original response to the Hills Review and subsequent consultation on the current strategy noted "it is likely that whilst the [LIHC] headcount will remain relatively constant, there will be a high 'churn' within this group". NEA also noted that "in order to meet the final and interim targets all low-income households that live in properties below the chosen [EPC] thresholds will need to receive assistance… it would be more cost effective to bring them straight up to EPC Band C". These concerns went unheeded and have manifestly been proven to be accurate. In our recent call for evidence, 82% of respondents said the indicator was ineffective in defining and identifying households in, or vulnerable to, fuel poverty. Whilst it was felt that the indicator has been useful in illustrating the fuel poverty gap, stakeholders noted that:

- It is difficult to use LIHC to demonstrate fuel poverty at an individual level, risking vulnerable households being excluded from support; and
- It is a difficult concept to explain to the general public, thus transforming it into a technical tool rather than a practical one for advisors.

The consultation document outlines Government proposals for updating the way fuel poverty in England is defined and measured. NEA hopes the proposed 'Low Income Low Energy Efficiency' (LILEE) measure would reduce this complexity. The LILEE would also address the amount of 'churn' (households moving in and out of fuel poverty) and be better aligned with the key goals of the strategy overall. It would also increase the number of households considered to be fuel poor in FPEER Bands D-G by over a million and we welcome the prospect that these households will be assisted with energy efficiency improvements by 2030. The change would, however, reclassify around 200,000 households in Band C and above from fuel poor to not fuel poor and we stress the need for the Government to indicate how they would continue to monitor the LIHC headcount and fuel poverty gap across all EPC Bands. On-going support will need to be provided to:

- Households who cannot be improved to Band C. This because the original Warm Homes and Energy Conservation Bill was explicit that the intent of the law does not allow (a) any power of entry; (b) any power to require any person to carry out works; (c) any power to require any person to leave his home; or (d) any exemption from, or relaxation of, Building Regulations affecting any works carried out pursuant of the Act; and

- Households living in properties Band C or above but who are struggling on low-incomes and will need to benefit from income support measures, energy rebates and/or wider protection from retail energy markets. This is because the Warm Homes and Energy Conservation Act 2000 defines those who are in "fuel poverty" as "a member of a household living on a lower income in a home which cannot be kept warm at reasonable cost". Despite the potential for significant energy efficiency interventions making a huge positive impact, households living on the lowest incomes[43] may still be unable to afford to heat their homes irrespective of the fabric or heating improvements. This is illustrated in the current fuel poverty gaps facing fuel poor households in properties with an FPEER rating of Band C which currently range from £102 to £194 a year, depending on which tenure they live in.

NEA also notes the need to move away from part of the current FPEER methodology for assessing the energy costs of a household. The current method means that Warm Home Discount recipients have a higher rating than those with identical properties. This infers the need for on-going subsidy, a costly and inefficient approach which potentially masks failures in improving the energy efficiency of households. NEA also recommends small adjustments are made to the income threshold. Further details on this area can be found in our response to the following question. Finally, NEA notes that whilst the proposal will be a useful change to the metric, the definition of fuel poverty will not change, and is enshrined in the Warm Homes and Energy Conservation Act. It is important that the Strategy continues to reflect that this remains the definition of fuel poverty, whilst the new metric is a proxy used to measure the scale of the issue.

Question 2. The proposed metric update – LILEE – would necessitate certain updates to the current methodology, namely as regards the high costs threshold, but the other aspects of the current LIHC methodology would not necessarily need updating. Do you have views or evidence on whether Government should update those other aspects of the methodology on the introduction of LILEE, including the following:

a. **Household energy requirements calculation, including heating regime**

As noted above and in point d below, NEA believes the current FPEER methodology for assessing the energy costs of a household should not include Warm Home Discount which leads to a higher for identical properties. The heating regime currently used in SAP and that EPCs are based on also does not capture actual or even realistic 'needed' heating patterns for low income/low usage households[44]. If the data was freely available the fuel costs of a household would ideally be based on their actual energy requirements and required costs, thereby accounting for actual occupancy patterns, their existing fuel tariffs, accurate external temperatures, as well the relevant characteristics of their home as used in the FPEER. This would however be a major departure from current practices and ensuring this data is readily available would be problematic. In advance of more accurate methods for judging energy requirements being practical to implement, NEA believes the priority is to be more confident that EPC ratings are fit-for-purpose when judging whether a household is in fuel poverty. Firstly, there is a variance in the quality of EPC assessments that means that two identical households could be judged as inside and outside of the metric, in effect just because the assessing of EPCs can be unreliable. This is especially true of deemed EPCs and NEA has heard frequent concerns with the quality and accuracy of 'bulk EPC' data which looks to predict EPCs for similar proprieties. This could be addressed by ensuring fuel poor households are required to meet at least a median SAP level or greater within EPC band C before it can be considered to have researched the required standard[45]. The UK Green Building Council has also identified two areas[46] that need to be addressed in order to increase the reliability of EPCs:

1. The various accreditation and certification bodies are all competing for customers, which does not necessarily encourage rigour in the auditing process; and
2. Audits of EPCs are predominantly desk-based, which means that there is little risk to an assessor in delivering inaccurate assessments of items which are difficult to desk-audit or are not necessarily revealed by the photographs required as part of the EPC assessment.

There is also a specific concern about the coverage of EPCs within Houses in Multiple Occupation (HMOs). We strongly advocate the introduction of a requirement for an EPC for the whole building to be produced when a single unit in the building is marketed for rent. HMOs are disproportionately occupied by vulnerable people who have no other choice about where they live. Energy efficiency problems (such as damp and unhealthily low temperatures) are more prevalent in HMOs than in other types of home.[47] Despite this, the domestic MEES does not apply to the overwhelming majority of HMOs. It only applies where a property has an EPC, and there is currently no obligation to obtain an EPC for an individual non-self-contained unit within a property. Requiring an EPC for the whole building to be produced when a unit in an HMO is rented out will go part way to triggering the PRS minimum standard[48]. However, it would also need to be accompanied by a minor amendment to the Energy Act 2011. The Act currently only applies where properties are let out under a single tenancy, not multiple tenancies (as is generally the case with HMOs). A simple amendment to Section 42 of the Energy Act 2011 could extend the definition of 'domestic private rented property' to include a property let out on more than one tenancy. A private member's bill introduced by Dr Alan Whitehead MP in the 2014/15 Parliamentary session showed how this could be done.[49]

b. Equivalisation factors, for fuel costs and for income

NEA understands the rationale for equivalisation as an approach to general areas of household expenditure, taking into account the size and composition of households. This aligns income measurement for fuel poverty with the approach used in all other official statistics relating to the measurement of income and general poverty. We also support the use of an 'after housing costs' measure of income.

With respect to the equivalisation of fuel costs, in the current methodology, equivalised fuel costs are added to an "income threshold". This is then compared to equivalised income in order to determine whether a household is high or low-income. The income and fuel equivalisation factors for single occupants are very different (0.58 and 0.82 respectively), which we do not believe representative of real-life situations; whilst we accept that income goes further for a one-person household than a two-person household, there is no saving to the fuel cost for living on your own.

We believe that instead of this, the fuel cost should be subtracted from the household income, prior to income equivalisation. This would mean fairer treatment of fuel costs and therefore a more accurate representation of whether a household should be classed as high, or low, income. We also continue to support a focus on unit costs, measured in £/m^2, rather than a total costs approach. However, we recognise that these issues will become less important given the Government's intention to count all low-income homes below the Band C threshold as 'fuel poor'. Lastly, clarity is needed to confirm the how children are treated within equivalisation factors as the assumptions for their contribution to energy use within the home could be inaccurate and require further research.

c. Income methodology

As noted above, NEA welcomed that the current approach to the fuel poverty assessment is after housing costs (AHC) such as water rates, Council Tax, fuel costs and rent or mortgage payments, however, NEA notes the findings from "Targeting Fuel Poverty", published by JRF, Citizens Advice, NEA and Eaga-CT in 2017. This jointly funded research recommended the use of the Minimum Income Standard (MIS) to more accurately assess a suitable income threshold, alongside a more accurate Household Based Energy Efficiency Rating (HBEER). The former would still be calculated after housing costs, in addition to disability payments, child care costs and different living and transport costs in various urban and rural areas. The web-based MIS Minimum Income Calculator is updated annually and could be linked easily to household assessment to calculate accurate living costs. The Scottish Government has adopted 90% MIS as its income threshold. We continue to support Hill's recommendation that disability benefits should not be counted as disposable income.

d. Fuel prices methodology

NEA previously recommended the UK Government report annually on the overall contribution energy discounts make within the new Fuel Poverty Energy Efficiency Rating Methodology to the attainment of the milestones or the final Band C target. This recommendation was based on a broad concern about the extent to which progress on improving household energy efficiency would be distorted by including energy discounts within this calculation. This concern has subsequently been noted by the BEIS Committee[50] and we continue to stress the Government should not take Warm Home Discount payments into account within the metric. Any model that gives equal weighting to energy efficiency and fuel bill discounts could result in perverse consequences, infers a costly and inefficient approach, and potentially masks failures in improving the energy efficiency of households. In contrast to on-going discounts, a one-off investment in heating and insulation improvements can optimise social, economic and environmental outcomes.

Question 3. Do you agree that Government should retain the current target and interim milestones?

NEA strongly agrees that, as a minimum, the Government should retain the current Band C target and interim milestones. We did however note, at the outset of the strategy, an opportunity to reform the current final objective and set a revised end-date of improving the homes of low-income households to a minimum of EPC Band C by 2025, not 2030. We also suggested reform to the two interim milestones and argued they should have the same statutory basis as the 2030 target and the Government should tightly define the term 'as far as reasonably practicable'. NEA continues to believe this more ambitious timeline is practical and would result in the poorest households realising the benefits of significant energy efficiency improvements over a longer period.

NEA also continues to believe the current caveat "reasonably practicable" has undermined confidence amongst some immediate stakeholders about the Government's general commitment to reach these targets or milestones and deters a vital investment signal in jobs and skills. Addressing this negative market sentiment is an urgent priority, given the wider deterioration of market conditions within the energy efficiency industry, which, unless urgently addressed, will undermine the attainment of both the fuel poverty and net zero commitments. In addition, given the varied and occasionally competing demands of spending priorities within central government departments (or local within government), this has weakened attempts to secure vital additional resources or prioritise allocating funds from local budgets. This term must therefore either be removed or tightly defined so there is no unhelpful ambiguity over the term or Government's commitment to meet the milestones. Given the huge potential for technical innovation and cost reduction potential of delivering energy efficiency improvement (particularly in social housing), the Band C target should also be reviewed no later than 2025 to see if it is cost effective to meet a higher passive house or zero carbon homes standard within this timeframe. This action would also help the UK Government meet the new stretching net-zero carbon target.

Question 4. Do you have views or evidence on our proposal to add more detail on, and clarify, the meaning of the 'Worst First' principle, including the considerations raised above?

NEA strongly supports the retention of the 'worst first' principle. There is however currently very limited evidence to suggest that the principle has been applied[51] and this must be reflected in future policies.

In particular, whilst NEA welcomed the UK Government commitment to ensure the entirety of ECO is targeted on those in, or at most risk of, fuel poverty, disappointingly the Government's new preferred policy had the least impact for those households in fuel poverty and the lowest Net Present Value (NPV) of the options presented within the consultation. As a result, only circa 30% of measures delivered under the new phase of ECO up to 2022 will therefore be installed in fuel poor homes and the CFP estimates that over the 3.5 year programme, it will only lower the percentage of fuel poor homes in Band F/G by 1 percentage point. Despite this, the then Minister of State recently incorrectly stated in Parliament "the energy company obligation is now 100% focused on fuel poverty". Many other barriers remain which prohibit ECO from being an accessible or effective tool to ensure fuel poor homes are upgraded to EPC Band C by 2030 or more generally support vulnerable households:

- A solid wall minimum which is significantly less than is required to meet the targets;
- Delivery 'cherry-picks' households willing to paying contributions, therefore not reaching the most in need first; and
- A poor level of targeting, where only ~30% of qualifying households are fuel poor (in relation to the current metric).

Despite the welcome introduction of Minimum Energy Efficiency Standards in England and Wales, which require all landlords without a valid exemption to ensure their properties reach an Energy Performance Certificate (EPC) Band E before 2020, the £3,500 cost cap will only result in 48 per cent of Band F and G privately rented properties being upgraded to Band E by 2020. This therefore means that the Government is likely to miss its near-term fuel poverty milestones, due to there being more fuel poor households in the Private Rented Sector in Bands F and G than in any other tenure. This was recently highlighted by the BEIS Committee in their recent report[52] on energy efficiency.

NEA has also highlighted how the Renewable Heat Incentive (RHI) could be made more accessible to low-income and fuel poor households in the least efficient homes. Despite the UK Government committing in 2016 to target the RHI on fuel poor households, this outcome has not materialised. Finally, whilst hugely valuable in providing necessary fuel debt and energy advice, the WHD Industry Initiative schemes are allocated based on a value for money principle. This means that hard to reach households, which are often in the deepest fuel poverty, are out of scope for support, as there are 'better value' households that can be supported. Again, it is clear that this is not consistent with the 'worst first' principle and BEIS should clarify how the worst first principle can be formally embedded future policy decisions and policy impact assessments.

Question 5. Do you have views or evidence on our proposal to add more detail on, and clarify, the meaning of the cost-effectiveness principle, including the considerations raised above?

NEA appreciates that cost-effectiveness is an important aspect of all Government policy, and that taxpayers' money should not be wasted when there are more effective uses of the money. There is, however, a tension with the 'worst first' principle, as those who have the deepest need are often more costly to help and could, by some interpretations, be considered as poor value for money. We would welcome a clarification on the principle, and how it interacts with the vulnerability and 'worst first' principles. We expect that these principles should be higher in the order of priorities than cost effectiveness, given the nature of the strategy. In addition to clarification of the principle, BEIS need to ensure that the value domestic energy efficiency, and reducing fuel poverty, can provide to other important Government priorities are better understood. This is especially important with respect to the Department of Health and Social Care, specifically their strategy on prevention. The impact of reducing fuel poverty through energy efficiency measures on health is not currently included in the impact assessment for energy efficiency schemes such as ECO 3, but it clearly has an impact on the health service.

In addition to health, several other co-benefits have been identified in the BEIS Select Committee's recent inquiry on energy efficiency, that are not currently captured by BEIS or HMT. These include:

- **Economic Growth:** This 'cost-effective' approach would require an estimated £85.2 billion investment but would deliver benefits (reduced energy use, reduced carbon emissions, improved air quality and comfort) totalling £92.7 billion—a net present value of £7.5 billion;
- **Optimises infrastructure investment:** Energy efficiency can prevent expensive investments in generation, transmission and distribution infrastructure and reduce reliance on fuel imports—with a present value of avoided electricity network investment of £4.3 billion; and
- **Competitiveness:** The UK is a net exporter of insulation and energy efficiency retrofit goods and services.

NEA has identified further areas that BEIS should explore with regards to the value that energy efficiency schemes could present, but have not yet been assessed:

- The direct value of reductions in bills and energy arrears for households, and how this would increase spending within poorer communities;
- The avoided cost of reducing carbon emissions or improving air quality via alternative actions;
- The avoided costs of investment in non-efficient forms of embedded power generation which can increase local air pollution;
- The value of reductions in rent arrears, void periods for landlords[53] and higher stamp duty yields to HMT;
- Uplifts in VAT yields to HMT for energy efficiency measures compared to the lower rates applied to VAT on gas and electricity;
- The positive impact of reducing inflation, gas imports and the effect on the UK's balance of payments;
- The extent of the creation of a healthier workforce and jobs from a more buoyant energy efficiency industry;
- The value to the UK economy of wider benefits such as up-skilling the workforce;
- The value of avoided costs to energy consumers of reducing network reinforcement by Distribution Network Operators[54]. In turn, the positive impacts of also reducing civil utility works taking place in UK streets;
- More comfortable internal temperatures in homes will lead to fewer premature winter deaths and despite being unpalatable premature mortality has a clear cost[55];
- The reduced costs to mental health and social care as reductions in bills can reduce stress and improve mental health for occupants and keep people living in their homes longer; and

- The cost effectiveness of zero-capital interventions such as advice which can also create less damp and mould growth within homes, in turn reducing respiratory problems at little or no cost.

In order to properly assess the cost effectiveness of fuel poverty policies, BEIS must be able to assess as much of the value that the policies present as is feasible, as well as the costs, which BEIS are already proficient at calculating. This can ensure cost-effective principle does not preclude energy efficiency measures that can have significant benefits to fuel poor households (in particular solid wall insulation). In the short-term, the Government could also carry out its own macro-assessment of the aforementioned benefits if the Government were to meet the Band C target and the interim milestones. This is especially relevant given that HMT are now leading a review on the cost of meeting the new decarbonisation target and how these will be met.

Question 6. Do you have views or evidence on our proposal to add more detail on, and clarify, the meaning of the vulnerability principle and, in particular, on our proposed changes to the meaning of the principle?

NEA agrees with the new information within the consultation on the vulnerability principle, especially the implementation of the NICE guidelines into the fuel poverty strategy. Whilst each of the aspects of vulnerability (health, age and income level) are important, they do not necessarily represent vulnerability in isolation of each other. For example, a customer may be old, but well off and in good health, meaning that they are not particularly vulnerable. Similarly, many people with health conditions could be high earners, and not affected by the cold. We recommend that this principle is based on customers that fall into at least two of the three categories, in order to better capture those who are truly vulnerable and to focus the strategy onto those who really need help. This would then help reinforce the worst first principle and reflect wider approaches to vulnerability which recognises the need to prioritise those with overlapping or multiple vulnerability risk factors. It is also particularly important that the health pillar of the principle only serves to capture those conditions that are affected by the cold. Our project “Under One Roof” identified these conditions in the table below.

Respiratory disease	With each 1°C drop in temperature below 5°C, GP consultations for respiratory illness in older people increase by 19%. Hospital admissions for Chronic Obstructive Pulmonary Disease (COPD) are four times more likely to happen over the winter. Homes which have damp or mould have been linked with a 30-50% increase in respiratory problems (with asthma sufferers two to three times more likely to live in a damp home than non-sufferers). Children living in cold homes are more than twice as likely to suffer from asthma or bronchitis as children that do not (those in damp and mouldy homes are three times more likely). They have a 32% greater risk of wheezing illness and 97% greater risk of suffering from breathing problems at night.
Cardiovascular disease	It has been estimated that 9% of hypertension in Scotland could be prevented by maintaining indoor temperatures above 18°C. Increased plasma fibrinogen levels and factor VII clotting during winter account for a 15% and 9% rise in coronary heart disease, respectively. A 1°C drop in living room temperature can lead to a 1.3mm Hg rise in systolic blood pressure and a 0.6mmHg rise in diastolic blood pressure in people aged 65-74.
Mental ill health	Living in a cold home can lead to social isolation, stress and worry. NATCEN found that 10% of people suffering from a Common Mental Disorder (CMD) were not able to keep their homes warm enough during the winter and 15% reported mould in their homes (compared with 3% and 8% of people without CMD). Children living in poor quality cold housing are more like to suffer from mental ill health. It can impact upon child motivation, educational attainment and task persistence, as well as resulting in feelings of helplessness. NATCEN found that 28% of young people living in cold homes manifested multiple mental health risks, as opposed to 4% for those living in warm homes. Inadequately heated homes were independently shown to be the only housing quality indicator associated with 4 or more negative mental health outcomes in young people.
Other health conditions	Sickle Cell Disease (SCD) Comfortable temperatures for someone with SCD range from 20°C to 30°C, though those on low-incomes may struggle to afford to meet the cost of maintaining a healthy temperature at home. A hospital admission for SCD can cost £637- £11,367 a time, and some have argued that part or fully subsidising the heating bills of SCD sufferers would be more cost effective to the NHS. Falls Cold homes can be linked to the experience of aches, pains, underlying joint and muscular problems or skin conditions, or arthritic and rheumatic pain (increasing the risk of falls and accidents amongst the elderly by reducing strength and dexterity). Nutrition Cutting back on food spending to meet the cost of paying for energy can lead to malnutrition, poor infant weight gain, and adverse impacts upon other health conditions such as tuberculosis (TB) or diabetes.

“Under One Roof” also showed that, despite the reduction in overall national resources dedicated to tackling fuel poverty and cold-related ill health, some areas are still securing some funding from local sources and/or are leveraging the limited national funding that is available from the Better Care Fund (BCF) or energy supplier funded schemes. Whilst investment from CCGs and NHS bodies in fuel poverty interventions is not widespread, our research showed that it is possible to showcase local examples of actions to implement the NICE NG6 guidance and that local public health teams, other council departments and, sometimes, CCGs or NHS partners, can and will act to directly commission initiatives to tackle fuel poverty and cold-related ill health when funding becomes available to them. However, this patchwork of local schemes has created a postcode lottery and often is dependent on passionate individuals working in various sectors who understand the role that preventative actions can play in addressing ill health from cold homes. From this work, we made five recommendations:

Recommendation 1: Re-establish relevant departmental capital spending later this year and ensure BEIS, the Department for Health and Social Care (DHSC) and Public Health England (PHE) all have some resource to help sustain existing preventative health-related fuel poverty initiatives. This would include the continuation and replication of activities previously undertaken via Warm Homes Healthy People Fund (WHHP) or DECC’s previous Health Booster Fund to:

- Support the development of the updated Fuel Poverty Strategy and in the short-term help address known gaps in national provision;
- Close the fuel poverty funding gap;
- Ensure NICE guidance on tackling cold homes is replicated more consistently in all parts of England;
- Promote long-term cross organisational working;
- Support the establishment of joint commissioning agreements with local authority partners and leverage the use of Better Care Fund monies to pilot and deliver integrated and joined up services; and
- Help make use of disability facilities grants to fund energy efficiency measures in the most vulnerable homes, or trial new approaches, for example, using hospital readmission fines to invest in preventative health-related fuel poverty initiatives.

Recommendation 2: As well as securing the relevant departmental capital noted above, BEIS must maintain and strengthen its support for inclusion of the health perspective in the upcoming updated Fuel Poverty Strategy.

Recommendation 3: BEIS should fully monetise the health benefits of meeting fuel poverty commitments and include these within relevant Net Present Value (NPV) calculations. The improved HIDEEM model should also be made available to local practitioners as soon as possible and appropriate user guidance promoted.

Recommendation 4: The DHSC and PHE must ensure the existing the value of preventative health-related fuel poverty initiatives is fully recognised within the Green paper on Prevention and the forthcoming Green Paper on Social Care in England. This would help maintain and secure high-level acknowledgement of cold-related ill health as a focus within the health sector.

Recommendation 5: Within the full three-year Comprehensive Spending Review (CSR), prevention-based activities within the Better Care Fund, or its successor, must ensure low-income households with long-term respiratory or circulatory health conditions receive priority assistance for preventative energy home improvements.

It is crucial that the fuel poverty strategy takes NG6 into account, and that our recommendations are implemented.

In addition to NG6, NEA maintains that the ECO Flexible eligibility scheme is crucial in reaching vulnerable customers that would not otherwise be reached. NEA is committed to working in partnership with BEIS and LAs so that more declarations identify fuel poor households not in receipt of eligible benefits, or low-income households that are vulnerable to the effects of living in a cold home. We believe the BEIS should consider a default statement of intent that could be automatically in place if LAs do not put forward their own statement of intent. If the LAs themselves don’t use these powers and appoint another body with ‘delegated responsibility’ to refer households to an obligated supplier on their behalf, these organisations will also need to be encouraged to prioritise this assistance at those in or at most risk of fuel poverty. It is crucial, however, that BEIS monitor the quality of Statements of Intent on an on-going basis to ensure that they capture the households that the scheme is aimed at. We have seen several instances whereby LA eligibility captures high-income households, which is unacceptable for a scheme that is aimed fuel poor homes.

Question 7. Do you agree with our proposal to create a fourth principle on aligning fuel poverty strategy with current and future Government priorities? Do you have views or evidence that may be useful in creating this principle?

NEA agrees with ensuring fuel poverty statutory commitments are compatible with the net-zero carbon statutory commitment and it has been repeatedly noted that domestic energy efficiency will be a crucial part of meeting this commitment, something that has been well articulated by the Committee on Climate Change[56] and the BEIS select committee[57] in their scrutiny of Government policy. Additionally, the National Infrastructure Commission have said that

Government need to facilitate thousands more energy efficiency installations per week in order to meet our collective targets.

Whilst it is important that policies to address fuel poverty also address the sustainability principle, it is also imperative that sustainability policies (that will help us to reach net-zero) consider the fuel poverty strategy. A significant proportion of current decarbonisation policies are funded through energy bills, which is exceptionally regressive, with very few policies funded through general taxation. It is clear that this can cause disproportionate detriment to the lowest income, vulnerable and fuel poor customer groups. There is however little regular information as to the scale of this detriment as the Government has recently stopped publishing impacts of policies on consumer bills. We therefore do not know the distributional impacts that policy decisions are having on consumers[58]. It is however important to note that whilst ECO and WHD do contribute to policy costs on bills, they are more progressive than the other costs as low income and vulnerable consumers are purposefully targeted as the beneficiaries. This is not true of the other costs on bills. In addition to identifying the quantum of costs on bills - which the Default Tariff cap (and PPM cap) provides some protection from – it is crucial to investigate how they are recovered. With the exception of ECO where there was some stipulation in the legislation about recovery of policy costs on gas as well as electricity (and the option under WHD for suppliers to attach charges to both fuels), how or where they are recovered (flat charge within the Standing Charge or on usage basis) has been left largely to the suppliers. This has resulted in some customers (especially all electric customers) being hit hardest, with policy costs contributing nearly 50% of the price of off-peak electricity. There is a real danger of some complacency by both Ofgem and UK Government on this issue and we urge this area to be investigated fully in reinstated annual impact on bills report noted above and in HMT's upcoming investigation of the costs of meeting the net zero target. Considering these issues should also prompt proposals for suitable mitigations.

In addition, the Clean Air Strategy states that Defra intend to legislate to prohibit sale of the most polluting fuels. NEA does not support an end to sales of heating oil to rural, low income households without them being able to access suitable policies that help them to fund suitable alternative forms of heating. If solid fuels were to be banned, we estimate that over 26,000 of the poorest households, in the deepest fuel poverty, could be left without any way of heating their homes. If heating using oil were also to be banned, this figure would rise to 166,000. As a result, if Defra intends to go through with this policy, BEIS and DEFRA must ensure that these households can access alternative heating measures. This necessary outcome can be achieved in a number of ways. For example, out of the current Renewable Heat Incentive (RHI) budget, NEA has advocated an annual ring-fence for fuel poor households off the gas network who cannot afford the upfront costs of renewable heat technologies. Alternatively, a new boiler scrappage scheme could be considered before a ban on any fuel type is implemented. This would more than just remove a risk for fuel poor households, it would give them an opportunity to alleviate their fuel poverty and potentially even move out of it altogether. Many of these challenges and opportunities were recently analysed in detail by Maxine Frerk of Grid Edge Policy and Dr Keith MacLean of Providence Policy who undertook new research on behalf of NEA into heat decarbonisation and social equity[59].

Question 8. Would you suggest any other guiding strategic principles? Do you have any other views or evidence on the guiding principles?

We urge BEIS to consider the simplicity of policy in this sphere. These key aspects have been overlooked in the current strategy. Whilst the industry should be jointly responsible for communicating what support can provided in consistent and accessible formats (and therefore help to drive up awareness), current energy policies are exceptionally difficult to communicate to the people they are there to serve due their complexity. This presents a clear barrier to realising the strategies' aims.

BEIS should also work to ensure that policies and targets can be easily tracked across the nations. As well as enhancing the ability to monitor progress consistently across the UK nations, this would ensure the target can be met as efficiently as possible by helping to adopt good practice early and identify shared risks.

Question 9. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve energy efficiency for households in fuel poverty?

As noted above, NEA believes the most pressing issue to address is a lack of adequate resource to meet the statutory energy efficiency fuel poverty requirements in England and stress this must be addressed. Assuming the Clean Growth Strategy proposals lower the current gap by £6.2 billion, central investment will be needed if the Government is to achieve the 2020 and 2025 fuel poverty milestones. The Committee on Fuel Poverty therefore recommended that to achieve the 2020 milestone, Treasury should allocate circa £1 billion of funding to run from 2019 to 2021. They also recommended that a further £1.8 billion should be allocated to run from 2022 to 2025 in order to achieve the 2025 milestone. This is the most crucial action that BEIS can take in the short-term and we fully support the CFP's proposals for a new 'Clean Growth Fuel Poverty Challenge Fund'[60]. The fund would operate from late 2019 to 2025. It would help the poorest households living in Band F and G homes, mainly in rural areas and other hard to heat homes.

NEA have also highlighted how to maintain the value of, and the looming funding crisis facing preventative, health-related fuel poverty schemes[61] and has made clear on a number of occasions, the current MEES cost cap for landlords is too low, and should be increased to £5k, in line with recommendations made by the Committee on Fuel Poverty. We are also concerned that the current cap is inclusive of VAT and Government or supplier-led assistance, which further erodes the benefits of the policy. As stated previously, there are also pressing issues with a lack of coverage of HMO properties and enforcement that need to be addressed so that local authorities can have the best chance of ensuring that PRS homes in their area are fit-for-purpose. NEA has also recommended that there should be incentives for landlords who take their properties beyond minimum standards, in the form of the reintroduction of the Landlords' Energy Saving Allowance (LESA).

Using regulation to drive private investment by tightening rented sector regulation over time to an EPC rating of Band C by 2030, alongside suitable incentives for private landlords and setting out the future scale and shape of ECO post-2022, would support the households in greatest need. It would also give a vital signal to the energy efficiency supply chain which has been badly impacted by a lack of a consistent policy framework, a lack of diversity of schemes in order to reduce the risk associated with policies changing or programmes not being extended, or late legislation, as with the ECO 3 regulations. NEA stresses that, combined, these 'emergency measures' are 'practicable' and should be announced within the response, the next upcoming fiscal event or (at the latest) within the up-coming three-year Comprehensive Spending Review (CSR), next year. Without taking advantage of upcoming fiscal events this year, the first milestone will be missed and over 160,000 fuel poor households could still be living in the least efficient homes by 2020 in England and the delayed cost of inaction will further backload delivery of the 2030 statutory target. The adoption of the LILEE measurement and the addition of over a million fuel poor households will only serve to make it more crucial to commit to adequate investment.

Beyond these 'emergency measures' and near-term supporting actions, the UK Government also need to commit to developing a suitable policy package to meet the final Band C target for 2030, meet the wider aims of the Clean Growth Strategy and reach net-zero. NEA therefore supports calls to make energy efficiency an important National Infrastructure Priority and have worked closely with the Energy Efficiency Infrastructure Group (EEIG) to develop a detailed action plan for a comprehensive Buildings Energy Infrastructure Programme. Our shared vision for this programme draws on learning from energy efficiency delivery for low-income households in the devolved nations of Northern Ireland, Scotland and Wales in recent years. The framework should include:

1. **Introducing complementary locally-led energy efficiency schemes and a nationally 'safety net' scheme**. Like Warm Front, the latter would help fuel poor households who miss out on, or cannot wait for, local support;
2. **The establishment of an independent energy efficiency delivery body and reintroduction of renovation advice provision, alongside full adoption of the independent Each Home Counts review's recommendations** to ensure informed consumer choice is backed by the highest quality and safety standards; and
3. **The re-establishment of targeted (non-levy funded) able-to-pay incentives.** This could include a demonstration programme to test and refine a Stamp Duty incentive, zero interest loans and incentives to pump-prime demand for green mortgages as recommended by the Green Finance Taskforce.

The recommendations above would support the UK Government to deliver the Clean Growth Strategy's welcome aim to bring all UK homes up to EPC Band C by 2035 and all low-income homes in England up to Band C by 2030 to meet the fuel poverty target. As seen in table below, in so doing, the programme would yield tremendous benefits, including reducing energy bills, fuel poverty, health costs and carbon emissions whilst increasing productivity, competitiveness, employment, infrastructure investment, energy security and the overall UK fiscal position.

Cross-departmental benefits for:	Details	Relevant for:
Energy bills	Households' energy bills would be permanently reduced – on average by a quarter or £270 a year at today's prices[62], and by significantly more in the least efficient homes – amounting to £7.2 - £8.6 billion per annum in total energy bill savings across the housing stock once comfort taking has been accounted for[63]. This is money that households can save or spend in more productive parts of the economy.	HMT, BEIS
Fuel poverty	Statutory targets to tackle fuel poverty in England and elsewhere in the UK would be met. This could create enormous savings in the long run. Welfare spending to stem the worst effects of fuel poverty includes the Warm Home Discount (£320 million per year), Cold Weather Payments (£130 million per year) and the Winter Fuel Payment (£1.8 billion per year). This amounts to a total of £2.25 billion of public spending every year, due in large part to the poor energy efficiency of the UK housing stock.	DWP, BEIS
Carbon emissions	Achieving a good level of energy efficiency for all homes by 2035 is consistent with the least-cost approach to meeting the fourth and fifth carbon budgets, and a critical staging post for achieving zero carbon homes and net-zero emissions in the UK. Government investment in energy efficiency reduces the costs of decarbonisation for all households – heat decarbonisation could cost £6.2 billion less per year to 2050[64] – and decreases the overall level of public subsidy needed.	BEIS

Cross-departmental benefits for:	Details	Relevant for:
Productivity and competitiveness	It would improve construction sector productivity, where energy efficiency upgrades are incorporated into broader renovation and maintenance works, and the added value exceeds the marginal cost. It would improve national competitiveness, by enhancing energy productivity and staff productivity in the workplace[65]. Product and service innovation to build a market for low-carbon and resilient buildings brings significant clean industrial growth opportunities, at home and abroad.	HMT, MHCLG, BEIS
Employment	It would create skilled employment opportunities, through the renovation and construction work needed, and the supply chains around them. This means a net increase in annual employment of around 100,000 full-time equivalents over the period 2020-2030, with most jobs created in the services and the construction sectors.	HMT, BEIS, MHCLG
Infrastructure investment	It would, through robust new build standards, avoid the need to renovate new homes for net-zero at a later date, saving household energy costs from the outset, and harnessing the opportunity to make newly-built homes resilient to hot weather, floods and water scarcity. For a typical new home, retrofitting for zero emissions and resilience can cost £33,000 more than building it that way[66]. More broadly, a Buildings Energy Infrastructure Programme would reduce the need for costlier upgrades to the electricity grid, new power supply and low-carbon heat supply, with a present value of avoided electricity network investment of £4.3 billion and avoided annual costs of decarbonised heat to 2050 of up to £6.2 billion[67].	MHCLG, HMT, BEIS
Health impacts of homes and outdoor air quality	It would deliver improved public health outcomes, by avoiding ill health from cold homes through improved comfort. The cost to the NHS of health conditions made worse by poor housing is estimated to be between £1.4 and £2.0 billion each year in England alone[68] with the costs of productivity loss potentially far higher[69]. It would also improve outdoor air quality, with a present value of £4.1 billion.	DHSC, DEFRA
Energy security	It would enhance energy security, by reducing the need for gas imports, improving the balance of trade and boosting GDP in the process. As a result of greater energy efficiency investment, GDP could be 0.6% higher in 2030 (£13.9 billion), driven by a 26% reduction in imports of natural gas.	HMT, BEIS
Fiscal position	In the long-term, the public investment pays for itself. The economic activity that would be driven by an energy efficiency infrastructure programme delivers tax revenue, cumulatively £51.1 billion by 2030. In present value terms, a return of £1.27 per £1 invested would be achieved over this time.	HMT

Question 10. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve energy efficiency for households in fuel poverty?

The Government must restate its commitments to meet the fuel poverty target and associated milestones. It is particularly important that that the 2020 and 2025 milestones are met, so that the 2030 statutory target remains achievable. In addition to the early investments noted above, NEA also highlights other key actions that the UK Government should take to ensure the strategy is a success:

- The Department for Work and Pensions (DWP) extend income maximisation measures (such as benefit entitlement checks) which can play a key role in addressing (and preventing) fuel poverty;
- Promoting NICE guidelines on "Excess winter deaths and morbidity and the health risks associated with cold homes";
- Authorising the sharing of patient level health data so that interventions can be directly targeted at those who are most likely to have recurrent GP visits and unplanned hospital admissions due to health conditions exacerbated by cold conditions;
- Provide support and resources (showcasing good practice etc) and provide gap funding to support local referral pathways to tackle fuel poverty and excess winter deaths;
- Ensuring gas and electricity network companies seize the opportunity to fund and facilitate domestic energy efficiency measures;
- Using powers in the Digital Economy Act to ensure that energy networks can better identify customers in receipt of certain benefits, reducing the cost of finding households that are eligible for schemes;
- Working with Ofgem to ensure lasting price protection for vulnerable customers that are most in need;
- Undertaking research into the co-benefits of addressing fuel poverty, including the benefits of taking action to the NHS;
- Reducing the supplier threshold for ECO and WHD
- Developing capacity within local authorities in England and Wales to replicate good practices to enforce conditions in the Private Rented Sector. This should include consideration of a nationwide landlord register so properties can be systematically identified; and
- Revamping the Home Energy Conservation Act could help deliver real change, improvement and practical action. The related guidance also needs updating, the discretionary elements to the reporting process should be addressed, and the introduction of proportionate sanctions for the non-submission of HECA reports should be considered.

Question 11. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve partnership and learning on fuel poverty?

As noted in the introduction, NEA strongly supports the need for working together to help the fuel poor through partnership and learning. We work with a diverse range of private and public sector organisations (including our current Business Supporters Group) and have been able to deliver positive outcomes for fuel poor households. Partners have included energy suppliers, energy networks, energy efficiency installers, health bodies, water companies, the emergency services and wide range of third sector organisations and national/local Governments. We also bring together a large and diverse range of stakeholders every year for the biggest annual fuel poverty conference in the UK. NEA's Fuel Poverty Monitor 2019 has also revealed that there have been some improvements in partnership work to deliver the strategy:

- Increased tendency of scheme providers to lever in external funding (when it is available) or blend funding programmes (where possible) to deliver their services; and Proactive scheme providers, especially local authorities, who are willing to champion energy efficiency improvements in fuel poor communities
- Improved ability of some scheme providers to use existing evidence and data to demonstrate the value of their services (partly a result of having to blend available funding sources across sectors)
- Improved partnership working with increasing partnerships being put in place between local authorities, health agencies, the voluntary sector and fuel/distribution companies
- Introduction of flexible eligibility criteria under ECO and increased focus on vulnerable residents to help reach those in need
- Working to engage external partners, including in the health and social care sector, to raise awareness and identify households in fuel poverty through training and engagement activities
- Using local knowledge to target and shape programmes that respond to local need and conditions e.g. availability of mapping tools and use of local data to identify hotspots

Respondent views captured within our Call for Evidence differed widely with regards to how successful attempts to develop partnership working had been in each nation (only 29% in Scotland felt there were barriers to partnership working, whilst 74% did so in Wales and 96% in England). An implication from stakeholder reflections is that the different funding environments in each nation mean the extent to which holistic packages of help can be knitted together – and therefore the ease with which successful partnerships can be built and maintained – varies greatly.

In particular, NEA believes that non-recurrent competition-based funding makes working across boundaries particularly hard, as often new partnerships need to be brokered over short timeframes in order to win funding competitions. This funding often lasts no longer than a year (and frequently ends up with less than one year of delivery), meaning that opportunities for partnerships are severely limited. The lack of consistency and reliability of and current policies (ECO and WHD) also make partnership work very hard. These policies go through periodic changes, which make forming consistent partnerships very challenging. A more consistent framework of policy and funding would help to foster a partnership-friendly environment, so that more organisations can work together to find solutions and meet the target.

Question 12. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve partnership and learning on fuel poverty?

We urge BEIS to move away from non-recurrent competition-based funding and consider our recommendations in our answers to questions 6, 9 and 10. We believe this would increase partnership working across the sector by addressing the main challenges we face in alleviating fuel poverty.

Question 13. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve targeting for households in fuel poverty?

NEA has been active in helping to more easily identify vulnerability through data sharing with central Government, helping to prompt the Digital Economy Act[70] which enabled the Warm Home Discount scheme to be provided automatically to low-income pensioners by allowing suppliers to work with Government to carefully identify those whose energy bills are putting them in financial difficulty. NEA strongly supports this policy (which is administered by Ofgem) as many customers who are eligible to receive WHD miss out on this support each year, either because they are unaware of this programme, or fail in their applications to receive it due to the limited annual budget[71]**.** These low-income working households face unimaginable gaps between their incomes and the essential cost of living[72] and miss out on support despite paying for the cost of the policy through their energy bills. Both Ofgem and Government need to undertake other key actions and must take every opportunity to work together. The joint BEIS and Ofgem 'Future Energy Retail Market Review' is a key opportunity for such work as it is considering critical issues affecting consumer protections and provisions for vulnerable customers; in particular the future of the Warm Home Discount scheme and a clear workstream on what protections will remain in place to support low-income consumers that can't engage in the market once the market-wide Default cap is removed. We restate the opportunity for Ofgem to build on previous commitments to develop the initial Safeguard Tariff and target this on-going protection using Warm Home Discount (WHD) eligibility as a proxy. Ofgem must also ensure smaller suppliers are required to deliver this vital protection.

NEA continues to believe that the schedules within the Digital Economy Act secondary legislation should also be expanded to allow local authorities, public sector health bodies and energy network companies to undertake direct data matching processes with the Department for Work and Pensions (DWP), independent of licenced gas and electricity suppliers. Invariably, given the risk averse nature and time constraints on these organisations, manual opt-in means assessments are currently judged by the vast majority of the aforementioned groups as 'too difficult' or 'too time consuming'. Unless addressed, this will lead to a postcode lottery where some citizens' data can be shared to better identify and assist vulnerable households who are most at risk of the direct impacts of morbidity associated with cold homes, while others can't be - even if it's for a similar or identical purpose.

In specific reference to expanding current powers to energy network companies, this is particularly acute in the case of GDNs who will now be required to identify ECO eligible households and who often have to disconnect gas supply at properties when the boiler is deemed to be unsafe. Our research-to-date shows this removes one hazard but replaces it with another (living with an unsafe gas appliance to having no access to essential heating or hot water). If this situation is not quickly resolved this can prompt multiple issues, particularly for more vulnerable residents unable to afford to replace the affected boiler/space heaters. Where the property is either privately rented or is social housing, tenants could be required to notify their landlord that a gas leak or Carbon Monoxide (CO) risk has been identified by a gas engineer and it can be some time until the gas appliance is either repaired or replaced. Despite being in rented accommodation, the onus can be placed on the tenant to see if they are eligible for support to national schemes and arrange these works (or in a limited number of instances even pay the costs). These instances are particularly the case when the landlord cannot be contacted or there is a dispute over the nature of the works or the cost of ancillary repairs. If GDNs were able to determine eligibility for the ECO criteria more consistently and efficiently at the point of a disconnection, the aforementioned risks and delays could be reduced.

In making the case for these expanded powers (and implicit within our support for proposals within the consultation) NEA recognises that extending current data-sharing practices with energy companies (or, to a lesser extent, the other aforementioned groups) could be perceived by the public as contentious. Whilst NEA has highlighted the clear proportionate benefits of enabling energy suppliers, local authorities, health bodies or network companies to identify and deliver practical help to struggling energy consumers, it is critical that clear safeguards are put in place. NEA therefore believes it is important that the enforcement, legislative controls and criminal penalties currently in place through the existing legislation and GDPR regulations ensure this sensitive information should only be used for the purpose of improving the wellbeing of the individuals whose data is being shared by central Government. It is also critical energy companies are clear with consumers about how their data is being used. We therefore expect, in addition to the legislative controls and criminal penalties, Ofgem to remain vigilant for any instances where companies might be using the data for anything other than the intended purpose, such as using as a proxy for the credit worthiness of customers.

Question 14. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve targeting for households in fuel poverty?

See response to question 13 above.

Question 15. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to support households in fuel poverty in high cost homes?

Analysing the most recent English housing survey data, NEA estimates that rural households are paying 55% more for their energy than urban areas, this is due to a combination of factors, however, in large part due to poor energy efficiency. Official statistics show that rural areas are five years behind their urban counterparts in the energy efficiency of homes. Rural areas also have a much greater proportion of EPC Band F and G rated households: 20% compared to around 2% for urban areas. In addition, around 90% of urban and 86% of semi-rural households have a gas connection compared to only 40% per cent of those in rural areas. Therefore, more isolated households may have higher levels and depth of fuel poverty due a higher proportion being off the gas grid.

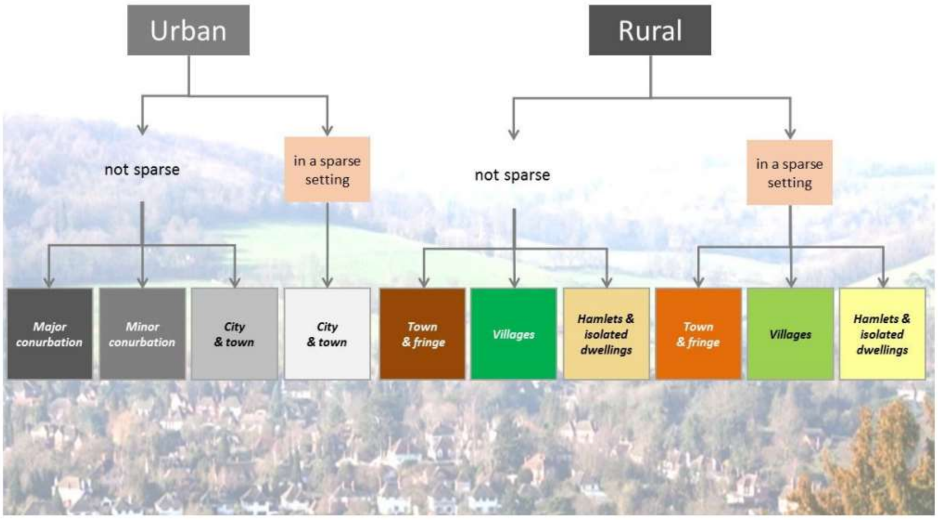
In addition to poorer energy efficiency standards, households living in an area classified as rural are often reliant on more expensive fuels. These challenges have recently prompted NEA to host a series of bespoke seminars in 2018 investigating "rural inequalities" and better understand the wider challenges facing rural households and the tensions and opportunities presented by decarbonising these communities. The seminars were run in collaboration with BEIS; Calor; Bright Blue, OFTEC; National Farmer Union (NFU) and the Partnership for Local Authorities Delivering Rural Services (SPARSE Rural). One of the main areas of concern constantly noted was that, coupled with the restriction on accessing the ECO within the Private Rented Sector for the least efficient homes, few options for low cost insulation measures, and also fewer potential low-carbon heat technologies, are available. Delegates also noted that some properties often couldn't be assisted due to planning restrictions such as conservation areas.

It was also felt that national policies had not adequately addressed these overlapping barriers within previous or current energy efficiency programmes, ‘one size didn’t fit all’ and rural households often missed out on support from Government or supplier-led programmes. For example, it was felt that the Renewable Heat Incentive hadn’t benefited fuel poor homes in rural areas. This is despite the previously referenced commitment in 2016 to target the RHI at fuel poor households, Government has, as yet, failed to deliver on this pledge and the scheme is expected to end in 2020. As with the better targeting of the Energy Company Obligation (ECO) policy, this recommendation was also made by the Climate Change Committee (CCC) in their advice to the UK Government on how to meet carbon budgets and mitigate impacts on fuel poverty levels. These key barriers persist at a time when central Government policy is increasingly looking to decarbonise these homes or take wider action to improve air quality.

A key deficiency of current policy within ECO 3 is the definition of rural. The scheme takes the following definition of rural:

- In relation to an area in England and Wales, an area classified as rural in the “2011 rural-urban classification of output areas” published by the Office for National Statistics in August 2013; and
- In relation to an area in Scotland, an area classified as rural in the “Scottish Government Urban Rural Classification 2013-2014” published by the Scottish Government in November 2014.

For England and Wales, the distinction between rural and urban is as shown below[73]:



It is clear that some of the “rural” areas would not constitute as an area that is ‘hard to reach’ which is undoubtedly the intention of the policy (namely Towns and Fringe in settings that are not sparse). Other definitions of rural could be more appropriate, including potentially having a requirement for off-grid, or recently off-grid properties.

Question 16. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to support households in fuel poverty in high cost homes?

As we set out in question 10, we fully support the recommendation that the Committee on Fuel Poverty set out in their 2018 annual report for the introduction of a new Clean Growth ‘fuel poverty challenge fund’ by the end of 2019-20, providing necessary central investment to meet the near-term fuel poverty milestones. This would amount to a £1bn fund running from 2019 to 2021 to help the poorest households living in rural areas, and other hard-to-heat homes, to upgrade their homes to at least EPC Band C. In particular, we would like part of this fund to be a rural-only energy efficiency scheme, to ensure that fuel poor households with EPC ratings of Band F or G in villages, hamlets and dwellings can reach higher levels of energy efficiency. There are 75,000 such houses (in England) that need to be upgraded, and it is not clear that they will receive sufficient help with the current set of policies. In addition, in response to question 7 we recommended that out of the current Renewable Heat Incentive (RHI) budget, NEA has advocated an annual ring-fence for fuel poor households off the gas network who cannot afford the upfront costs of renewable heat technologies. This because the current scheme has done very little to support fuel poor households due to the high initial capital outlay from the customer. This is despite the CCC recommending[74] that the policy be made more accessible to low-income and fuel poor households and despite the UK Government committing in 2016 to target the RHI on fuel poor households[75]. Alternatively, a new boiler scrappage scheme could be considered before a ban on any fuel type is implemented. This would more than just remove a risk for fuel poor households, it would give them an opportunity to alleviate their fuel poverty and potentially even move out of it altogether.

Question 17. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve support for low income households who are most at risk for adverse health outcomes from living in a cold home?

In question 6 we explored how the current funding environment must be addressed in the near future. NEA has been involved with several projects that link fuel poverty to health. NEA's 'Under One Roof' report makes a series of detailed local and national recommendations to address cold-related ill health, including identifying long-term ways of sustainably supporting local and national fuel poverty and cold-related ill health initiatives. For example, by making use of disability facilities grants to fund energy efficiency measures in the most vulnerable homes, or new approaches, such as using hospital readmission fines to invest in preventative health-related fuel poverty initiatives. However, we stress the looming funding crisis faced by these existing projects.

Research carried out by NEA in 2017 found that local public health teams were commissioning services for 23.1% of health-related fuel poverty schemes. Local authorities were contributing funding for 20.5%. CCGs had commissioned but were funding 7.7% of schemes, whilst the NHS was only funding 2.6% of schemes. Increasingly limited funding across local authorities (including public health) and health and social care puts the ability of many areas to maintain or replicate existing good practice at risk and jeopardise the continued delivery of existing schemes. Overall, funding trends in 2017/18 were much more likely to be static or decreasing in comparison to the previous year(s):

- 6.7% of schemes surveyed had already had their funding stream discontinued;
- For over a third (36.7%), it had decreased;
- For 20.4% of schemes, the reduction in funding was significant;
- 6.7% of schemes also expected to have funding stopped later in 2018; and
- Just four schemes (8.8%) reported a relatively stable funding situation with three schemes reporting that their funding was secure up until 2019 and one with funding secure until 2020/2021.

Therefore, the overall picture now is one of a mounting funding crisis. One of the most common reasons for unsuccessful local funding applications to establish or maintain health-related fuel poverty initiatives is oversubscription of funding bids, as well as the competitive nature of the funds on offer. Other funding challenges were highlighted by 42% of survey respondents. They included:

- The short-term and often stop/start nature of funding available to fuel poverty schemes;
- The lack of consistent or recurrent provision from central government;
- The inability to engage with time poor health staff, particularly GPs; and
- Competing health priorities, and the requirement of many schemes that match funding must be available.

Question 18. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve support for low income households who are most at risk for adverse health outcomes from living in a cold home?

See response to question 17 above.

Question 19. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to decrease the financial burden of energy bills for households in fuel poverty?

As noted in response to question 1, NEA notes that it is incredibly important that policies are put in place to ensure that those who get to EPC Band C, but still find energy unaffordable, continue to receive support. Despite the lower potential for significant energy efficiency interventions making a huge positive impact, households living on the lowest incomes[76] may still be unable to afford to heat their homes irrespective of fabric or heating improvements. This is illustrated in the current fuel poverty gaps facing fuel poor households in properties with an FPEER rating of Band C which currently range from £102 to £194 a year, depending on which tenure they live in.

NEA welcomed both the Pre-Payment Cap and the Safeguard Tariff and was a key stakeholder during the passage of the Domestic Gas and Electricity (Tariff Cap) Act 2018[77]. As well as noting our general support for the provisions in the Bill[78], NEA also welcomed Ofgem and the UK Government's preparatory[79] steps to preserve and extend the Safeguard Tariff[80]. NEA also worked with the Government to confirm[81] that Ofgem could operate the extended Safeguard Tariff at the same time as the Default cap. As noted above, NEA prompted amendments to the Digital Economy Act[82] which now allow suppliers to work with Government to carefully identify those whose energy bills are putting them in financial difficulty and need most protection from price rises. Additionally, NEA welcomed the recognition from Ofgem[83] and the UK Government[84] that the Default Tariff Cap does not afford the longevity that is needed for the most vulnerable customers.

It was therefore disappointing that, when implementing the Default Tariff Cap, Ofgem did not adopt this approach and chose to remove 1 million low-income pensioners who are not on prepayment meters, but are receiving the Warm Home Discount, from the Safeguard Tariff. The limited rationale noted that the Safeguard Tariff was only intended as a temporary measure and at the time of switching them over, these customers would feel little impact as both caps were set at the same level. Following the recent rise to both the Default and PPM Caps on the 7th February, however, the majority of suppliers have increased their prices to the level of the new cap and the evident risks we highlighted have now arisen[85]. This outcome is contrary to the stated commitments that were given during the passage of the Bill. There is now an urgent need for Ofgem and the UK Government to develop a clear work stream on what protections will remain in place to support low-income consumers that can't engage in the market once the market-wide cap is removed.

Question 20. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to decrease the financial burden of energy bills for households in fuel poverty?

The Committee on Climate Change (CCC)'s initial advice to Government on net-zero stressed the need for greater investment in home insulation and low-carbon heating in fuel poor homes to achieve carbon reduction and fuel poverty targets at the same time. They also recommended HMT set out how the cost of the transition should be addressed in order to be 'fair'. It is crucial that HMT's upcoming assessment adequately captures both of these key areas. Until all fuel poor homes achieve a minimum energy efficiency rating of Band C by 31 December 2030, there is a need to enhance actions to directly reduce energy costs for low-income households. We have previously highlighted the value of WHD rebates currently provided to poorer pensioners (or those that have applied successfully in the past for support under the Broader Group) may be reduced by up to 29% or even stopped altogether. Given the continued number of excess winter deaths and in addition to the recent impact of low-income pensioners protected by the 'Safeguard Tariff', this would be a worrying abdication of the UK Government's and Ofgem's duties to protect vulnerable people.

Additionally, we believe that it is critical the Warm Home Discount is extended past its current end date of 2021. The envelope of the programme must also increase so that the mandatory broader group receive the full rebate automatically **and** the annual budget for industry initiatives can increase. The first reform would help at least an extra 0.6 million, and possibly more than 1.5 million[86], additional households who are in full or part-time work but can't currently afford basic essentials. The latter is needed as activities under industry initiatives can provide better value for money than switching, or even direct yearly rebates, but without certainty over the future of the scheme NEA (and a wide range of other organisations) will not be able to maintain our work to award grants, fuel debt advice and wider services. NEA estimates the impacts of additional costs on bills could be offset in the longer-term by the benefits of smart systems and flexibility plan. The net increase of £4.50 or 0.4% on an average dual fuel bill could be justified on the basis that the 'Smart Systems and Flexibility Plan' will be delivering estimated savings far and beyond the costs which we present here (although low-income consumers are unlikely to be first to benefit from any cost reductions).

Alternatively, the Government could use a mechanism such as the Government Electricity Rebate to reduce the impact on non-WHD discount customers of providing further WHD rebates and retaining Industry Initiatives, and re-target existing tax-funded support via the Winter Fuel Payment or Cold Weather Payment to make this needed intervention cost neutral for the taxpayer or HMT (see options in Annex 1). Our preferred option is using the Cold Weather Payment to fund the enhanced WHD policy. Without increasing energy prices for other consumers (and by adjusting existing tax-funded support) it would help the same households as the CWP but instead it would front load a higher payment at the beginning of winter and ensure the assistance directly reduces energy bills. This reform should also be considered alongside reducing the supplier threshold below 50,000 customers and encouraging them to take part in industry initiative schemes. Within the WHD programme, it is also important Ofgem make the rules behind the "Industry Initiative" section more flexible. This would help third parties, that ultimately will deliver this part of the scheme, to more adequately support the most vulnerable customers to pay their bills and cannot be based on reaching a "value for money" objective, which often rules out help for those most in need, where a pound spent will not reach as far.

As noted throughout this response, HMT must evolve their approach away from relying on energy bill levies to fund decarbonisation. NEA believes that if HMT decide that carbon taxes remain necessary to deliver decarbonisation, they must use the income from such taxes to fund some elements of decarbonisation, particularly to help those who need it most to reduce their carbon footprint.

Importantly, the Government has recently stopped publishing impacts of policies on consumer bills. We therefore do not know the distributional impacts that policy decisions are having on consumers. HMT should follow the lead that Ofgem are taking in their draft Consumer Vulnerability Strategy 2025 and create a framework for assessing the distributional impacts of their decarbonisation policies and make them public. This is especially needed to monitor the impact of exemptions for Energy Intensive Industries from the indirect costs of the Renewables Obligation, Contracts for Difference, the Capacity Mechanism and Feed in Tariff schemes.

Finally, one key reason for energy debt and energy affordability issues is that unclaimed benefit entitlements remain endemic. Figures from the Department for Work and Pensions (DWP) reveal that 40% of families in Great Britain who are eligible for pension credit failed to claim the benefit during the 2016/17 tax year, leaving them missing out on an average of £2,500 for the year. 20% of families eligible for housing benefit, and 16% of those eligible for income support or income-related Employment and Support Allowance (ESA) are not claiming the support that should be available to them. Take up is affected by a range of factors such as a lack of awareness or the perceived stigma of receiving benefits. Suppliers can help address this by ensuring all customers have greater access to services to check benefits entitlements before debt repayment plans are agreed, or signpost appropriate income maximisation services when repayment plans are reviewed. This should complement similar actions by the UK Government, each of the UK nations and other providers of essential services, as recommended in the Public Accounts Committee report on Consumer Protection which found many consumers face similar problems accessing water, energy, communications & financial services. If replicated consistently across all essential services this could potentially leverage an estimated £10 billion of unclaimed pension credit and income support towards paying for essential goods and services, including energy.

Question 21. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to create a fairer energy market for households in fuel poverty?

As stated in response to questions 13, 19 and 20, as well as extending and expanding the Warm Home Discount scheme, a clear workstream on what protections will remain in place to support low-income consumers that can't engage in the market once the market-wide Default Tariff Cap is removed is desperately needed. There is an urgent need for Ofgem and the UK Government to develop this workstream collaboratively and we restate the opportunity for Ofgem to build on previous commitments to develop the initial Safeguard Tariff and target this on-going protection using Warm Home Discount (WHD) eligibility as a proxy. Ofgem must also ensure smaller suppliers are required to deliver this vital protection.

To achieve the best outcomes for vulnerable customers, both Ofgem and the UK Government need to undertake key actions and must take every opportunity to work together. The joint approach to the 'Flexible and Responsive Energy Retail Markets' is therefore welcome and is a key opportunity to address critical issues which effect consumer protections and vulnerable customers; in particular the future of the Warm Home Discount scheme, reducing current supplier obligation thresholds for obligated schemes and the future of price protection for the most vulnerable consumers.

Above all, NEA stresses the need for the UK Government to ensure the Warm Home Discount scheme continues and how essential it is to extend the scheme past 2021. Without certainty over the future of the scheme, NEA (and a wide range of other organisations) will not be able to maintain our work to award grants, fuel debt advice and wider services which save lives. This is despite industry initiatives often providing better value for money than switching or even direct yearly rebates which are the main focus of the current programme.

NEA also highlights that, despite the legislative powers to do so, not all payments within the scheme are made automatically through increased data matching. In the UK Government's Warm Home Discount 2018/19 consultation, the Government stated they will consider the potential role for new data matching powers under Part 5 of the Digital Economy Act which would enable an expansion of the provision of automatic rebates, through data matching, to working-age households. NEA strongly supported this concept which was first mooted in 2015 and we championed the secondary legislation in Parliament that makes this possible. One of the key reasons this is required is so many low income households are eligible to receive WHD but miss out on this support each year either because they are unaware of this support or fail in their applications due to the limited annual budget[87]**.** These low income working households face unimaginable gaps between their incomes and the essential cost of living[88] and miss out on support despite paying for the cost of the policy through their energy bills. NEA therefore believes the Warm Home Discount scheme must continue for existing low-income pensioner recipients and be provided automatically to more low income working families, using powers under the Digital Economy Act to ensure better targeting. Within annex 1 NEA demonstrates how the necessary increase to the annual WHD budget could be achieved without increasing energy bills or requiring additional tax funded support.

NEA has also welcomed both the Pre-Payment Cap and the Safeguard Tariff and was a key stakeholder during the passage of the Domestic Gas and Electricity (Tariff Cap) Act 2018[89]. As well as noting our general support for the provisions in the Bill[90], NEA also welcomed Ofgem and the UK Government's preparatory[91] steps to preserve and extend the Safeguard Tariff[92]. NEA also prompted amendments to the Digital Economy Act[93] which now allow suppliers to work with government to not only provide the WHD automatically but also identify a similar cohort of customers who need most protection from price rises and could have benefited from an extended Safeguard Tariff.

It was therefore disappointing that when implementing the Default Cap, Ofgem did not adopt this approach and chose to remove 1 million low income pensioners who are not on prepayment meters, but are receiving the Warm Home Discount, from the Safeguard Tariff. The limited rationale noted that the Safeguard Tariff was only intended as a temporary measure and at the time of switching them over, these customers would feel little impact as both caps were set at the same level. This was despite NEA working with the Government to confirm[94] that Ofgem could operate the extended Safeguard Tariff at the same time as the Default cap. Following the recent rise to both the Default and PPM Caps on the 7th February, the majority of suppliers have increased their prices to the level of the new cap and the evident risks we highlighted have now arisen[95], irrespective of the latest adjustments to the Default Cap.

This outcome is contrary to the stated commitments that were given during the passage of the Bill (see letter to Lord Grantchester from the RT HON Lord Henley, the previous Parliamentary Under Secretary of State for BEIS, in annex 3. Despite this avoidable negative outcome, NEA has welcomed the recognition from Ofgem[96] and the UK Government[97] that the Default Tariff Cap does not afford the longevity that is needed for the most vulnerable customers. This is also re-stated within this consultation and there is now an urgent need for Ofgem and the UK Government to develop a clear work stream on what protections will remain in place to support low income consumers that can't engage in the market once the market-wide cap is removed. We believe Ofgem and the UK Government can build on previous work to create sustainable price protection for the most vulnerable customers, target this on-going protection using Warm Home Discount (WHD) eligibility as a proxy and require smaller suppliers to deliver this vital protection. We also restate our consistent support for further reducing the current supplier obligation thresholds for obligated schemes, a recommendation that NEA made during the Competition Markets Authority (CMA) Energy Market Investigation in 2015[98].

In addition to addressing a fear of losing key entitlements such as the Warm Home Discount or an aversion to risk engaging with an unknown (smaller) supplier, NEA believes that a lack of affordability of energy is closely overlapped with other varied reasons for not switching or being stuck on a more expensive tariff or payment type. These may include:

- Limited internet access; which can currently cost low income energy consumers over £300 annually
- Poor mental health or limited financial capability
- A preference or need to manage their limited budget via receipt of a paper bill, payment by cheque, or cash in advance using a PPM;
- High debt and stringent or out of date credit checks;
- Their tenure and a reliance on the current payment type due to their landlord's stipulations;
- Access to the benefits of a smart meter and In-Home Display (IHD).

It is imperative that Ofgem, the industry, other regulators and the UK Government address these barriers in turn if they hope to improve the conditions for effective competition for all consumers. It is also increasingly important that vulnerable customers are not just protected from the market, but included in the opportunities that moving to a "net-zero" energy system presents. In order to ensure that the energy transition is fair and just, more innovation projects need to be completed with the intention of helping vulnerable and fuel poor households, either directly through the project, indirectly as a result of the findings, or as a combination of the two. It is vital that innovation projects funded through bills do not primarily go towards providing costly solutions to households who do not need help to, for example, heat their homes or pay their bills.

In summary, Government, along with Ofgem, must take the following actions to increase fairness in the market:

- Government must extend the Warm Home Discount past 2021 in order to ensure that this vital scheme can continue to help the most vulnerable customers to keep their houses warm in winter.
- The Warm Home Discount scheme should be expanded and reformed so that the broader group receive automatic payments in a similar way to the core group does. This can be achieved in a cost neutral way whilst protecting the vital support provided within industry initiatives.
- The Warm Home Discount and Energy Company Obligation supplier obligation thresholds should be reduced further, with smaller suppliers carrying the whole obligation (unlike the current WHD obligation, where smaller suppliers only have the core group obligation).
- Ofgem should increase the flexibility within delivering the "industry initiative" part of the Warm Home Discount, something that will become much more important when all suppliers are obligated to deliver the scheme.
- There is an urgent need for Ofgem and the UK Government to develop a clear work stream on what protections will remain in place to support low income consumers that can't engage in the market once the market-wide cap is removed.
- To ensure costs are shared proportionately across the wider GB market rather than focused on those suppliers who do supply and support the most vulnerable customers, there would be a levelisation process, similar to that used at present for the Renewables Obligation and Feed-in Tariff schemes.
- BEIS and HMT should follow the lead that Ofgem are taking in their draft consumer vulnerability strategy 2025 and create a framework for regularly assessing the distributional impacts of their decarbonisation policies and make them public. In addition to identifying the scale of quantum of costs on bills it is crucial to investigate how they are recovered and develop proposals for suitable mitigations.
- Ofgem should investigate the setting of and recovery of standing charges costs and Fuel Direct repayments from standing charges to ensure low income consumers that may only top up their pre-payment meters rarely, don't lose credit before they can access any energy.

- Ofgem must provide clarity that they will take enforcement action against licence conditions where vulnerable customers have not been treated fairly, especially when customer service does not meet the required standard.
- Suppliers should be required to ensure that all customers have greater access to services to check benefits entitlements before debt repayment plans are agreed or signpost appropriate income maximisation services when repayment plans are reviewed.

Question 22. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to create a fairer energy market for households in fuel poverty?

Please see response to question 21 above.

Question 23. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve the evidence base on fuel poverty?

In order to ensure that the evidence base can be grown and become more useful, we recommend that BEIS fund research into the following:

- Fully monetising the benefits of meeting the fuel poverty targets, especially the health benefits, which can subsequently be included into future impact assessments. This should include the costs to the NHS of fuel poverty;
- A review of which energy efficiency schemes (particularly across the other home nations) would help deliver fuel poverty targets most efficiently and the effectiveness of the current ECO of reaching the worst affected households first;
- An assessment of barriers to adopting support provided by the current scheme;
- An assessment of the capacity of local authorities to undertake their role in ECO and PRS MEES;
- An assessment of the extent to how suppliers recover costs, and if there are adverse distributional impacts as to how they do so;
- Explore the extent to which the new smart energy world is an opportunity or a risk to the fuel poverty strategy; and
- Explore the relationship between mortality and morbidity of cold homes
- Explore the impact of how children are treated within equivalisation factors as the assumptions for their contribution to energy use within the home could be inaccurate and require further research

Question 24. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve the evidence base on fuel poverty?

Please see response to question 23 above.

Question 25. Are existing arrangements sufficient to meet our commitments to review and scrutinise Government action on fuel poverty?

NEA does not believe that existing arrangements are sufficient to meet the commitments to review and scrutinise Government action on fuel poverty. There are several things that could be done to ensure that scrutiny can be performed more effectively:

- Reviewing the areas that BEIS used to report on in the energy market, for example the effect of policy costs on energy bills, and why these are no longer reported on. This should include areas that could be reported on and an assessment of the viability of doing it;
- There is currently uncertainty as to when the annual fuel poverty debate is held. This makes it difficult to inform stakeholders and can result in poorly attended debates that are less than well informed. Ensuring there is good notice given for the debate would alleviate this concern;
- There is no analysis on impact of policies on consumer bills, especially on fuel poverty. BEIS should follow Ofgem's lead and commit to a consistent distributional analysis on impact of individual policies; and
- BEIS should investigate whether the timeframe for producing fuel poverty statistics could be sped up
- BEIS should honour their previous commitment to continue to measure fuel poverty across the UK

Question 26. Do you have any further views or evidence on how the 2015 fuel poverty strategy should be updated?

NEA highlights the need for the UK Government to help address a lack of consistent advice provision.

A pressing live concern is that the Energy Saving Advice Service (ESAS), provided by the Energy Saving Trust, has now ceased to operate a telephone service and this support is now only web-based. This was the only remaining national phone number, following the loss of the Home Heat Helpline in 2016, which provided an important service offering free help and advice for those struggling to pay their energy bills. From it's launch in 2005 until it closed, the Helpline took over 400,000 calls, assisting households with questions and queries about their energy bills and usage. NEA also referred to the number during awareness campaigns as it is not feasible to provide individual supplier telephone numbers given the number of potential suppliers. According to Ofcom, around 13% of adults in the UK do not currently go online and these customers are at risk of being excluded from cheaper deals, but also from other services that may be beneficial to them. This includes information regarding the WHD, PSR and ECO. NEA therefore suggests the Government consider how they fund practical advice to households who are not on the internet. Suppliers and Ofgem should also be encouraged to develop practical suggestions about how energy related topics should be included in wider national, or local authority, digital inclusion strategies.

As well as telephone services, NEA also highlights the importance of timely advice delivered, in home, at the same time as energy efficiency interventions. This too has been widely acknowledged as essential by practitioners [99] and researchers[100], as well as by Ofgem[101], and more recently by the UK Government with the Bonfield Review[102] which addresses energy efficiency consumer advice and protection, standards and frameworks for enforcement. Face-to-face advice not only helps to ensure that beneficiary households can effectively use any new technology, it can also help to ensure that beneficial behaviours are adopted, and any energy-related problems or challenges can also be addressed. This finding was reinforced in a recent evaluation of NEA's own Health and Innovation Partnerships (HIP) programme[103]. Under HIP, each grant funded project was required to deliver energy-related advice – in relation to the specific intervention being made. The types of advice provided included those related to energy practices, health and wellbeing, market engagement and financial wellbeing. Access to energy-related advice included the following forms of support:

- The importance of keeping warm and well at home;
- The importance of ventilation and how to avoid condensation and damp problems;
- Energy bill and switching advice;
- How to use new heating controls, existing or new heating systems;
- Managing fuel debt, benefit advice and income maximisation; and
- Advice on further energy related grants or energy supplier support such as the Warm Home Discount (WHD) and Priority Service Register (PSR).

Annex 1 – Delivering automatic Warm Home Discount rebates for working families

The analysis below assesses the options for and cost impact of extending the WHD rebate to all households eligible in the Broader Group and retaining industry initiatives. The paper concludes that this can be achieved without increasing energy prices for other consumers and adjusting existing tax-funded support. Unless otherwise stated, the source for figures used in this analysis is BEIS's Impact Assessment for extending the WHD to 2018-19[104]. It should be noted that this cost analysis is indicative only[105].

Impact of providing an automatic WHD rebate to all households in the Core and Broader Groups within the current spending envelope

One option that has previously been actively considered by the UK Government was to extend automatic rebate without increasing the scheme envelope. If data-matching was extended to the Broader Group so all WHD eligible households (Core Group and compulsory Broader Group including low-income working families) received an automatic rebate this would equate to an estimated 2.8[106] million rebates. Within the current spending envelope (£320 million) this would mean the value of the rebate for all households would decrease by £26 from £140 to £114. This equates to a c.18% reduction in the value of the rebate. If the vital support for debt advice and income maximisation services under industry Initiatives was retained (which NEA stresses is crucial as it can provide better value for money than fuel debt write off or even direct yearly rebates) this would leave £280 million available for rebates to 2.8 million households. Under this scenario the value of the rebate for all households would need to decrease by £40 from £140 to £100. This equates to a c.29% reduction in the value of the rebate. Given the number of frail and elderly people that died last winter, NEA does not believe the Government should reduce current support for low-income pensioners, nor should the GB wide policy be targeted solely at fuel poor households under the Low-Income High-Cost (LIHC) definition.

Table 1: Value and number of WHD rebate(s) within the current spending envelope if rebate is paid to all households in the Core and Broader Groups within the current spending envelope

	WHD 2018/19: Automatic rebate for Core Group only and 'first come first served' rebate for Broader Group	WHD 2019/20 Option 1a: Automatic rebate for Core and Broader Groups	WHD 2019/20 Option 1b: Automatic rebate for Core and Broader Groups and retain current £40m Industry Initiatives cap
Total number of WHD eligible households	2.8m	2.8m	2.8m
Spending envelope available for rebates	£280m	£320m	£280m
Spending envelope available for Industry Initiatives	£40m	None	£40m
Total spending envelope	£320m	£320m	£320m
Total number of rebates[107]	2m (est.)	2.8m	2.8m
Number of eligible households who do not receive the WHD	0.6m	None	None
Value of rebate	£140	£114	£100
£ change from current rebate value	No change	-£26	-£40
% change from current rebate value	No change	-18%	-29%

Impact of NEA preferred policy option: Provide an automatic WHD rebate to all households in the Core and Broader Groups at the current rebate value of £140 and retain Industry Initiatives

If all 2.8 million eligible Core Group and Broader Group households within the standardised criteria108 received an automatic WHD rebate valued at the current amount of £140 this would increase the spending envelope by £112 million from £320 million to £432 million, if spending for industry initiatives is maintained (NEA's preferred policy option).

Table 2: WHD spending envelope retaining current value of rebate and Industry Initiatives

	WHD 2019/20 Option 2b: Automatic rebate for Core and Broader Groups and retain £40m Industry Initiatives cap
Total number of WHD eligible households	2.8m
Total number of automatic rebates	2.8m
Total number of 'first come first served' rebates	None
Total number of rebates	2.8m
Value of rebate	£140
Spending envelope available for rebates	£392m
Spending envelope available for Industry Initiatives	£40m
Total spending envelope	£432m
£ change from current envelope	+£112m
% change from current envelope	+35%

Impact on bills

Assuming a unique Meter Point Administration Number (MPAN) equates to a single customer there are 28,100,000 domestic electricity customers in Great Britain and 23,200,000 domestic gas customers in Great Britain. This equates to 50,595,000 domestic energy meters in total. In their Supply Market Indicator Methodology Ofgem explain how they derive the WHD cost per customer. Specifically: 'To calculate the cost of WHD as a proportion of the customer bill, we divide the total cost of the scheme by the number of gas and electricity customers of the large energy suppliers' (p. 17)[109]. Assuming a market share for larger suppliers of 97% – then the **additional** cost of delivering an expanded WHD scheme to provide an automatic £140 rebate to all Core and Broader Group households whilst retaining Industry would be approximately **£4.50 or a 0.4% increase** on average dual fuel bill or less than 16% increase in overall environmental and social obligation costs[110]. It should also be noted that this intervention would sit outside of the Levy Control Framework (LCF) but for illustrative purposes the total cost of the reformed WHDS would represent ~4% of the total current LCF budget[111].

Table 3: Impact on bills of expanding WHD envelope

	WHD 2018/19: £320m spending envelope spread across larger suppliers only	NEA preferred policy option
Total cost of WHD scheme	£320m	£432m
Total number of gas and electricity customers (GB)	50.6m (est.)	50.6m (est.)
Cost spread across customer base	Currently Obligated Suppliers (>150k accounts)	Currently Obligated Suppliers (>150k accounts)
Cost of delivering WHD per customer	£6.43	£8.68
Cost of delivering WHD per dual fuel customer[112]	£12.86	£17.36
£ change on average dual fuel bill of £1292[113]	No change	£4.50
% change on average dual fuel bill of £1292	No change	0.40%

Conclusions

Until all fuel poor homes achieve a minimum energy efficiency rating of Band C by 31 December 2030, there is a need to enhance actions to directly reduce energy costs for low-income households. NEA supports current efforts to reduce energy bills via existing policies but we did not support the removal of the Safeguard Tariff for non-PPM customers or the possible removal and/or reduction of rebates to current recipients of the WHD. Without heeding these concerns, we have highlighted the value of WHD rebates currently provided to poorer pensioners (or those that have applied successfully in the past for support under the Broader Group) may be reduced by up to 29% or even stopped altogether. Given the continued number of excess winter deaths and in addition to the recent impact of low-income pensioners protected by the "Safeguard Tariff", this would be a worrying abdication of the UK Government's and Ofgem's duties to protect vulnerable people.

As well as continuing to support elderly people who struggle to afford to adequately heat and power their homes, the alternative reforms we propose would help at least an extra 0.6 million and possibly more than 1.5 million[114]more households who are in full or part-time work but can't currently afford basic essentials, including energy. As noted above, NEA believes the impacts of additional costs on bills could be offset in the longer-term by the benefits of smart systems and flexibility plan. The net increase of £4.50 or 0.4% on an average dual fuel bill could be justified on the basis that the smart systems and flexibility play will be delivering estimated savings far and beyond the costs which we present here (although low-income consumers are unlikely to be first to benefit from any cost reductions). Alternatively, the Government could use a mechanism such as the Government Electricity Rebate to reduce the impact on non WHD discount customers of providing further WHD rebates and retaining Industry Initiatives and retarget existing tax-funded support via the Winter Fuel Payment or Cold Weather Payment to make this needed intervention cost neutral for the taxpayer or HMT (see options below). Our preferred option is using the Cold Weather Payment to fund the enhanced WHD policy. Without increasing energy prices for other consumers (and by adjusting existing tax-funded support) it would help the same households as the CWP but instead it would front load a higher payment at the beginning of winter and ensure the assistance directly reduces energy bills. This reform should also be considered alongside reducing the supplier threshold to 50,000 customers and encouraging them to take part in industry initiative schemes. We hope that these key decisions will be included within the revised Fuel Poverty Strategy and the upcoming Comprehensive Spending Review (CSR). Thereafter the extended policy would continue for the duration of the next spending review period.

Summary of options for delivering reforms for the next stage of WHD

Option	Spending Envelope	Auto Rebates	Total Rebates	Rebate Per Customer

1. Do Nothing (i.e. Status Quo)	£320m	1.28m	2.2m	£140
2. Broader Group Auto Rebate – Same Envelope	£320m	2.8m	2.8m	£64
3. Broader Group Auto Rebate – Same payment	£432m	2.8m	2.8m	£140

Options for paying for additional WHD rebates

Policy option	How it would work	Financial Rationale	Pros
Levy	Levy costs onto bills as usual. Cost will be more than made up by the savings made in the Smart Systems & Flexibility plan	The smart systems and flexibility plan will deliver on average over £1bn a year up to 2050. Using a levy would essentially ensure that these savings are passed through in a more progressive way.	- Redistributes savings made in the SS&F plan in progressive way. - Relatively admin light
Tax – Use Winter Fuel Payment money	Fund through a levy that is offset by a "Government Electricity Rebate" (GER) general taxation, but stop the winter fuel payment	The winter fuel payment costs the government ~£2bn/year. Reducing this by 17% would more than offset the cost added cost of extending WHD auto rebates	- No net cost to the taxpayer. - More progressive use of government money.
Tax – Use CWP Money	Fund through a levy that is offset by a "Government Electricity Rebate" (GER) general taxation, but stop the cold weather payment	In the last 8 years, cold weather payments have costed on average £100mn/year and up to £450mn in a single year. Eliminating this would free up the budget required to cover the cost of extending WHD auto rebates.	- No net cost to the taxpayer -Support the same households as current policy b reduces bills as opposed to income supplement (is) – WHD payment comes pre-winter as opposed to is more useful. - CWP seen as difficult to administer by DWP. BE administer this proposal at little cost compared to

Annex 2 – Full List of NEA Membership

Business Supporters Group	Organisation			
Affordable Warmth Solutions CIC (Cadent)	ACE	Citizens Advice Tunbridge Wells and District	Groundwork London	Severn Wye Energy Agency
Agility Eco	Act On Energy	Citizens Advice Wales	Groundwork Wales	SIG Insulation – Retrofit System Support
Arbed Am Byth	Age UK Nottingham & Nottinghamshire	City of Bradford MDC	Hertfordshire County Council (Public Health)	Six Town Housing
B-Ecosmart	Allerdale Borough Council	Clarion Futures	Home Energy Efficiency Training Ltd	South Dartmoor Community Energy
Boiler Plan UK Ltd	Anchor Hanover Group	Colchester Borough Homes	Islington Council	South Gloucestershire Council
British Gas	Aran Services Ltd	Communitas Energy CIC	Karbon Homes	Southern Housing Group
Daikin UK	Area Eco C.I.C	Community Action Northumberland	Leeds City Council	St Helens Metropolitan Borough Council
E.ON UK	Arun & Chichester Citizens Advice	Community Energy England	Leicestershire County Council	StepChange Debt Charity
EDF Energy	Auriga Services Limited	Community Energy Plus	Lincolnshire County Council	Stockport Metropolitan Borough Council
Ellipse Energy	Barnsley Metropolitan Borough Council	Community Law Service (Northampton and County)	LiveWest	Stockton & District Advice and Information Service
Energia Group	Barry Metcalfe Services	Connecting Communities in Berkshire	London Borough of Camden	Stockton-on-Tees Borough Council
Energy Angels Group Ltd	Beat The Cold	Consultancy, Investigation & Training (CIT)	London Borough of Camden	Suffolk Coastal District Council
Fernox	Bolton Council	Conwy Citizens Advice	London Borough of Hammersmith and Fulham	Swindon Borough Council
Firmus energy	Bournemouth Borough Council	Conwy County Borough Council	London Borough of Lewisham	Tai Pawb
Glen Dimplex Heating & Ventilation	Broadland District Council	Coventry Citizens Advice	London Energy Saving Squad	Tamar Energy Community Limited
GTI Direct (Linthwaite Ltd)	Broadoak Properties	Croydon Council	Maidstone Citizens Advice	The Councils of West Suffolk
Intergas Boilers	Bromford	Darlington Borough Council	Middlesbrough Environment City	the Environment Centre (tEC)
Matilda's Planet Strata Comfort Ltd	Bromley by Bow Centre	deafPLUS	Newcastle City Council	The Footprint Trust
Moixa Technology	Care & Repair Northamptonshire	Derby Homes Ltd	Newcastle-under-Lyme Borough Council	The National Energy Foundation
NIBE Energy Systems	Care & Repair Northamptonshire	Doncaster Council	North Lincolnshire Council	THIRTEEN
Northern Gas Networks	Care Network	Dover District Council	Northern Gas Heating Limited	Together Housing
Northern Ireland Electricity Networks	Carlisle City Council	Dudley Home Improvement Services	Northern Housing Consortium	Torfaen County Borough Council
Northern Powergrid	Carmarthenshire County Council	Durham Christian Partnership	Nottingham Energy Partnership	Wakefield Council

Business Supporters Group	Organisation			
npower	Centre for Sustainable Energy	Durham County Council	Osborne Energy	Warm Up Wearside
Pacifica	Ceredigion Citizens Advice Bureau	East Riding of Yorkshire Council	Peterborough City Council	Warm Wales / Cymru Gynnes
Project Better Energy Limited	Cheshire East Council	Eden District Council	Peterborough Environment City Trust	Wessex Resolutions CIC
Scottish Power	Christians Against Poverty	Effective Energy Solutions	Plymouth City Council	whg
Secure Meters	Citizens Advice	emh homes	Portsmouth City Council	WM Housing Group
SGN	Citizens Advice Allerdale	Energy Action Scotland	Powys County Council	Wolverhampton Homes Ltd
SSE	Citizens Advice County Durham	Energy Saving Trust	Preston and District CAB	
SSEN	Citizens Advice Denbighshire	Energy Solutions (NWL)	Purbeck Citizens Advice	
Switchee	Citizens Advice Derbyshire Districts	Energyworks	Renewable Energy Assurance Ltd	
The Co-operative Energy	Citizens Advice Doncaster Borough	Exeter Community Energy	Riverside Housing	
UK and Ireland Fuel Distributors Association (UKIFDA)	Citizens Advice in North & West Kent	Fermanagh and Omagh District Council	Robin Hood Energy	
UK Power Networks	Citizens Advice Manchester	Friends of the Earth Cymru	Royal Borough of Kensington and Chelsea	
Utilita Group	Citizens Advice Mid North Yorkshire	Fylde Council	Ryedale District Council	
Wales & West Utilities	Citizens Advice Northumberland	Gateshead Council	Salford City Council	
Warmer Communities CIC	Citizens Advice Plymouth	Gentoo Group	Sefton Council	
Warmer Energy Services	Citizens Advice Reading	Greenvision Energy Ltd	Selwood Housing Group	
YES Energy Solutions	Citizens Advice South Hams	Groundwork in the North	SERS Energy Solutions (Scotland) Ltd	

Annex 3 – Letter to Lord Grantchester from RT HON Lord Henley on the price cap.

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22 June 2018

Dear Lord Grantchester,

I am very grateful for your continued interest in the actions of Government in protecting consumers, and for your support for the Domestic Gas and Electricity (Tariff Cap) Bill.

When we last met, we discussed protections for vulnerable consumers.

Firstly, we're working on information sharing to help better target assistance for those in fuel poverty.

On 17th May the Government laid the Digital Government (Disclosure of Information) Regulations,[1] before Parliament. That affirmative statutory instrument is designed to enable specific public bodies to share information to improve the provision and targeting of public services to benefit individuals and households. This includes the ability to share information for the alleviation of fuel poverty. The Regulations are scheduled for debate in both Houses on 25 June.

The new powers will enable the Government to share information with energy suppliers, so they can more readily identify households in need and provide support to those who are eligible. This support is specified in the list of fuel poverty measures in the Act and amending Regulations. It includes the Warm Home Discount (WHD), Ofgem's Safeguard Tariff and the Energy Company Obligation (ECO).

Secondly, on the matter of whether Ofgem's Safeguard Tariff will remain in place alongside the new price cap proposed by the Bill, I can confirm that Ofgem is proposing to keep the Safeguard Tariff in place if the new price cap is materially higher (i.e. gives less protection) than the level of the Safeguard Tariff. Ofgem have also committed to ensuring that vulnerable consumers are on the cap that gives them the highest protection, to ensure these consumers do not lose out when the wider price cap comes into effect. As I am sure you're aware, the existing Pre-payment Meter (PPM) Cap will be unaffected by this Bill and will be retained subject to a review of its duration by the Competition and Markets Authority (CMA) in 2019.

Thirdly, you also raised whether powers were required to allow a further price cap for vulnerable consumers to be brought after this cap has ceased. I can confirm that Ofgem already has the power to protect vulnerable consumers in this way as evidenced by the extension of the pre-payment meter cap to Warm Home Discount customers by licence modification.

You may recall the comments made by Dermot Nolan, Ofgem CEO, to the Committee during the Bill's pre-legislative scrutiny on the ongoing support Ofgem may provide to vulnerable consumers upon the removal of the price cap. When asked whether a price cap or other protection may be needed for vulnerable consumers upon the removal of a market-wide price cap, Mr Nolan responded "*In my view, yes…I would envisage a very possible situation in which if a full, market-wide price cap was removed, Ofgem would continue with the price cap for vulnerable consumers*"[2].

I hope you find these points useful. I would, of course, set these out clearly in my response to any debate on these matters at Report on 27 June.

Yours sincerely,

THE RT HON LORD HENLEY

PARLIAMENTARY UNDER SECRETARY OF STATE

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[1] Link to Draft Digital Government (Disclosure of Information) Regulations 2018: https://www.legislation.gov.uk/ukdsi/2018/9780111169445/pdfs/ukdsi_9780111169445_en.pdf

[2] See Page 9 of the BEIS Select Committee Oral Evidence Session from 10th January 2018: http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/business-energy-and-industrial-strategy-committee/prelegislative-scrutiny-of-the-draft-domestic-gas-and-electricity-tariff-cap-bill/oral/76719.pdf

[1] For more information visit: www.nea.org.uk.
[2] For more details on our on-going campaign please visit: https://www.nea.org.uk/campaigns-policy/wash-campaign/.
[3] See: https://www.legislation.gov.uk/ukpga/2000/31/contents.
[4] The Act describes someone is in fuel poverty if they are a member of a household who is "living on a lower income in a home which cannot be kept warm at reasonable cost". Until 2013, the single definition of fuel poverty that was used across the UK was a household was defined as being fuel poor if they needed to spend more than 10% of their income to keep their home at a reasonable temperature. Until recently this definition was still used as the main basis of definition in Scotland, Wales, and Northern Ireland despite England adopting the 'Low Income High Costs' (LIHC) definition. Under the LIHC definition, a household is fuel poor if: the amount they would need to spend to keep their home at "an adequate standard of warmth" is above the national median level and if they spent that amount, their leftover income would be below the official poverty line. In other words, under the English definition of fuel poverty, a household is fuel poor if their income is below the poverty line (taking into account their energy costs); and their energy costs are higher than is typical for their household type. This reduced the amount of households in fuel poverty in England by over 1 million households and shifted the distribution of fuel poverty and 47% of all fuel poor households in England are in full or part-time work. As noted further in this section, there have also recently been changes to the definition of fuel poverty in Scotland.
[5] In Great Britain, average annual domestic gas prices rose by around 125% in real terms between 2004 and 2014, and domestic electricity prices by around 75% over the same period (more information on trends in energy prices is available in the Library's Current Energy Market Reforms in Great Britain briefing paper).
[6] Despite the differing definitions across the UK, the main drivers of fuel poverty, namely: the energy efficiency of domestic dwellings, household incomes and the cost of energy remain unchanged. The UK Government also made a commitment to continue to monitor fuel poverty levels across the UK based on the previous 10% indicator but has not done so for over three years.
[7] Between 2010-11 and 2015-16, local authorities in England reduced their spending on adult social care by 10%-40% in real terms and government grant funding for local services will be cut by a further £1.3 billion (36 per cent) in 2019/20 despite many councils already struggling to balance their books.
[8] During the passage of the Energy Act 2011, the UK Government gave repeated assurances that the withdrawal of the Exchequer-funded Warm Front programme should not be a matter of concern since the Energy Company Obligation would provide significantly greater resources for fuel poverty programmes. In fact the projected expenditure on the affordable warmth element of the Energy Company Obligation represented a significant reduction in funding to improve energy efficiency in dwellings occupied by low-income and vulnerable households. Prior to the Comprehensive Spending Review of 2010, expenditure on Warm Front had exceeded £1.1 billion over the period 2008–11. This expenditure was augmented by annual expenditure on Priority Groups through the Carbon Emissions Reduction Target of approximately £600 million over that same period, and this in turn was further supplemented by the £350 million Community Energy Saving Programme. ECO was cut in 2015 and the 'notional annual spend' on the overall programme was reduced from the original £1.3bn to £640 million. This has resulted in a 95% reduction in the number of insulation measures installed in homes per year between 2012 and 2017.
[9] Following the Smith Commission, further devolution to the Scottish Parliament of certain elements of the ECO, the Warm Home Discount Scheme, Winter Fuel Payments and Cold Weather Payments were agreed.
[10]In England the previous target to eradicate fuel poverty by 2010 in vulnerable households and 2016 in all households was not met. The Housing (Scotland) Act 2001 set a statutory duty on the Scottish Government to eradicate fuel poverty in Scotland, as far as was reasonably practicable, by November 2016. This statutory duty expired and the target was missed. In Wales, their targets to eradicate fuel poverty in social housing by 2012 and all homes by 2018 was also not met. In Northern Ireland there was never a statutory target but there was an aspiration to end fuel poverty by 2016, again, this was not met. In terms on-going commitment to end fuel poverty, a new eradication target, a new strategy, a new fuel poverty definition and new regulations in the Private Rented Sector are under development in Scotland. In Wales and in NI a new long-term strategy for addressing fuel poverty and a new ambitious fuel poverty target are still required.
[11] Taken from data within the Annual Fuel Poverty Statistics Report, 2015, Department of Energy and Climate Change (DECC), May 2015.
[12] Fuel Poverty across the UK, 10% indicator, DECC 2015
[13] "Getting the measure of fuel poverty", the John Hills review of fuel poverty, looked at the what measures could be used to track progress against the fuel poverty strategy. For more information please see https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/48297/4662-getting-measure-fuel-pov-final-hills-rpt.pdf
[14] The 2015 fuel poverty strategy for England "Cutting the cost of keeping warm" set out the fuel poverty target and milestones and how the Government plans to meet them. For more information please see: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/408644/cutting_the_cost_of_keeping_warm.pdf
[15] Within the fuel poverty strategy the Government set out a target to ensure that all fuel poor households are living in properties that are EPC C or above, as far as is reasonably practicable. This was later made statutory in "The Fuel Poverty (England) Regulations 2014". For the legislation, please see http://www.legislation.gov.uk/uksi/2014/3220/made
[16] Alongside the statutory fuel poverty target lie 2 milestones. Firstly, for all fuel poor households to be at EPC E by 2020 and secondly, to be at EPC D by 2025. Whilst these are not statutory, they are vert important for tracking progress against the target and meeting the aims of the strategy, in particular the commitment to help the worst first.
[17] For NEA's full response to the 2015 strategy, please see http://www.futureyears.org.uk/uploads/files/Fuel%20Poverty%20Strategy%20Consultation%20Response%20NEA%20response%20FINAL.pdf
[18] Under the LIHC definition, a household is fuel poor if: the amount they would need to spend to keep their home at "an adequate standard of warmth" is above the national median level and if they spent that amount, their leftover income would be below the official poverty line. In other words, under the English definition of fuel poverty, a household is fuel poor if their income is below the poverty line (taking into account their energy costs); and their energy costs are higher than is typical for their household type. This reduced the amount of households in fuel poverty in England by over 1 million households and shifted the distribution of fuel poverty and over 45% of all fuel poor households in England are in full or part-time work.
[19] NEA stresses to the UK Government the central importance of domestic energy efficiency remaining the most enduring solution to achieve collective goals; ending fuel poverty, a successful industrial strategy, supporting small business growth in every region, helping to achieve carbon emissions reductions, improving local air quality, reducing health & social care costs whilst providing real benefits to households who are struggling financially. In this context, NEA has warmly welcomed the publication of the National Infrastructure Commission's (NIC) interim National Infrastructure Assessment (NIA). The interim NIA rightly identifies the need to urgently address the energy wastage in UK homes and states dramatically enhancing energy efficiency must be a key national infrastructure priority. NEA is also an active member of the Energy Efficiency Infrastructure Group who strongly support this approach. This approach is also currently supported by a growing number of Non-Departmental Public Bodies, academics, industry and NGOs. They all highlight why ending cold homes and reducing needless emissions via improving domestic energy efficiency must be a priority; no other form of investment can deliver so much.
[20] NEA highlights that net disposable income after housing costs of a low-income household is £248 per week (£12,933 per year), equating to 60% of the UK median of £413 per week. The income after housing costs of a fuel poor household is even lower: £10,118 per year, equating to a net disposable weekly income of £194. Investigating income deciles shows the poorest 10% of UK society have a gross average weekly household income of £130 (£6,760 per year). Fuel poor households overwhelmingly comprise the poorest fifth of society: 85% of households in fuel poverty in England are located in the first and second income deciles and 78% of English households in those two deciles are fuel poor.
[21] The fuel poverty statistics show that in 2015 (at the beginning of the strategy), 7.8% of fuel poor households were in EPC band C. The latest data (2017) puts this figure at 10%. This equates to an approximate increase of 60,000 households. For more information, please see the annual reports found at https://www.gov.uk/government/collections/fuel-poverty-statistics
[22] NEA's recent joint briefing with E3G highlighted the UK has the sixth-worst long-term rate of excess winter mortality out of 30 European countries. Over the last five years there has been an average of 38,000 excess winter deaths in the UK every year. Of these, 11,458 die due to a cold home – approximately the same as the number of people who die from breast or prostate cancer each year. The new analysis was released on Fuel Poverty Awareness Day the national day highlighting the problems faced by those struggling to keep warm in their homes. To read the press release and the full cop of the report visit: http://www.nea.org.uk/media/news/230218/
[23] See BEIS report page 16, fig 4 of the BEIS Select Committee report "Energy efficiency, building towards net-zero." Available: https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/1730/173002.htm
[24] 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.6 Research by the BRE in 2013 suggested that if all of the English housing stock with a SAP below the historic average of 41 was to be brought up to at least the current average of 51 through heating and insulation improvements, the health cost-benefit to the NHS would be some £750 million per annum.6 Other estimates put the costs to the NHS of energy inefficient housing at £192 million (£35 million of which was in the Private Rented Sector). Use of the BRE category 1 calculator put the estimated Private Rented Sector costs to the NHS at between £37 and £674 million depending on SAP rating and occupancy level.
[25] Elliot AJ, Cross KW, Fleming DM. Acute respiratory infections and winter pressures on hospital admissions in England and Wales 1990-2005. J Public Health (Oxf). 2008 30(1):91-8.
[26] In their submission to the BEIS Committee Inquiry on Energy Efficiency, the Committee on Fuel Poverty stated that there is a £6.2m gap in For more information, please see http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/business-energy-and-industrial-strategy-committee/energy-efficiency/written/95108.pdf
[27] The clean growth Strategy made 5 commitments surrounding domestic energy efficiency:

a) Support around £3.6 billion of investment to upgrade around a million homes through the Energy Company Obligation (ECO), and extend support for home energy efficiency improvements until 2028 at the current level of ECO funding
b) We want all fuel poor homes to be upgraded to Energy Performance Certificate (EPC) Band C by 2030 and our aspiration is for as many homes as possible to be EPC Band C by 2035 where practical, cost-effective and affordable
c) Develop a long term trajectory to improve the energy performance standards of privately rented homes, with the aim of upgrading as many as possible to EPC Band C by 2030 where practical, cost-effective and affordable
d) Consult on how social housing can meet similar standards over this period
e) Following the outcome of the independent review of Building Regulations and fire safety, and subject to its conclusions, we intend to consult on strengthening energy performance standards for new and existing homes under Building Regulations, including futureproofing new homes for low-carbon heating systems

To see the strategy in full, please visit https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/700496/clean-growth-strategy-correction-april-2018.pdf
[28] The CCC net zero report to Government stated that "A scenario without further energy efficiency improvements, where costs were passed onto energy bills, resulted in an increase in fuel poverty from 2.9 million in 2013 to 3.1 million in 2030, or from 5.6 million in 2013 to 8 million in 2030 (depending on the definition of fuel poverty used)." For more information see https://www.theccc.org.uk/publication/net-zero-the-uks-contribution-to-stopping-global-warming/
[29]119 agencies working on the frontline to end fuel poverty responded to the call for evidence. To read the UK Fuel Poverty Monitor report visit: https://www.nea.org.uk/resources/publications-and-resources/.
[30] Following the publication of the Hills Review in 2012, a new definition of fuel poverty was introduced in England. The Low Income High Costs (LIHC) indicator considers that a household is fuel poor if they have required fuel costs that are above the national median level and, were they to spend that amount, they would be left with a residual income below the poverty line.
[31] The term 'as many'… 'as far as reasonably practicable' has undermined confidence amongst some immediate stakeholders about the Government's general commitment to reach these targets or milestones and deters a vital investment signal in jobs and skills. In addition, given the varied and occasionally competing demands of spending priorities within central government departments (or local within government), this has weakened attempts to secure vital additional resources or prioritise allocating funds from local budgets. This term must therefore either be removed or tightly defined so there is no unhelpful ambiguity over the term or Government's commitment to meet the milestones.
[32] In particular, whilst NEA welcomed the UK Government commitment to ensure the entirety of ECO is targeted on those in or at most risk of fuel poverty, disappointingly the Government's new preferred policy had the least impact for those households in fuel poverty and the lowest Net Present Value (NPV) within the options presented within the consolation options. As a result, only circa 30% of measures delivered under the new phase of ECO up to 2022 will therefore be installed in fuel poor homes and the CFP estimates that over the 3.5 year programme, it will only lower the percentage of fuel poor homes in Band F/G by 1 percentage point. Despite this, the Minister of State recently incorrectly stated in Parliament "the energy company obligation is now 100% focused on fuel poverty".

[33] CCC, Energy prices and bills - impacts of meeting carbon budgets, March 2017 noted that if the insulation and low-carbon heat installations required to meet the carbon budgets can be successfully targeted at the fuel poor then around three-quarters can be lifted out of fuel poverty by 2030.
[34] On the 24 Mar 2016, The Secretary of State noted the Government were reforming the renewable heat incentive and the energy company obligation to focus more on those most in need, "who are those in fuel poverty".
[35] In their 2018 annual report, the Committee on Fuel Poverty estimates a £1bn funding gap to meet the 2020 fuel poverty milestone, and propose a fuel poverty challenge fund to meet this funding gap. For the full annual report, please visit https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/754361/Committee_on_Fuel_Poverty_Annual_Report_2018.pdf
[36] On the 10th September 2019, over £500m of new investment in green technologies was announced by the UK Government but no money was invested in domestic energy efficiency in fuel poor homes.
[37] If only the compulsory broader group is awarded an automatic rebate, then 0.6 million more homes will be helped. If the whole broader group can receive the rebate automatically, then this will increase to 2.2m customers.
[38] NEA has called for the re-establishment of relevant departmental capital spending later this year and ensure BEIS, the Department for Health and Social Care and Public Health England (PHE) all have some resource to help sustain existing preventative health-related fuel poverty initiatives. This would include the continuation and replication of activities previously undertaken via Warm Homes Healthy People Fund (WHHP) or DECC's previous Health Booster Fund. In addition, the department for Health and Social Care and Public Health England (PHE) must ensure the existing the value of preventative health-related fuel poverty initiatives is fully recognised within the final Green paper on Prevention and the forthcoming Green Paper on Social Care in England. This would help maintain and secure high-level acknowledgement of cold-related ill health as focus within the health sector. Finally, NEA has called for the review of the Better Care Fund to prioritise assistance for prevention-based activities for low-income households with long-term respiratory or circulatory health conditions. Prevention based activities must include home improvements that ensure these households live in a home which can be affordably heated.
[39] Roys, M., Nichol S., Garrett, H, and Margoles, S. (2016) The full cost of poor housing.
[40] Stafford, B., 2014, The social cost of cold homes in an English city: developing a transferable policy tool, Journal of Public Health Vol.37(2): 251-257
[41] See: http://www.nea.org.uk/wp-content/uploads/2018/09/HIP-Social-Evaluation-Report-FULL-2018.pdf. The evaluation shows that feelings of mental wellbeing improved across the whole programme. There is also a lot more info in there re links to cold homes on mental health and more positive impacts in the wellbeing section of the report (section 5.5 onwards).
[42] Following the publication of the Hills Review in 2012, a new definition of fuel poverty was introduced in England. The Low Income High Costs (LIHC) indicator considers that a household is fuel poor if they have required fuel costs that are above the national median level and, were they to spend that amount, they would be left with a residual income below the poverty line.
[43] NEA highlights that net disposable income after housing costs of a low income household is £248 per week (£12,933 per year), equating to 60% of the UK median of £413 per week. The income after housing costs of a fuel poor household is even lower: £10,118 per year, equating to a net disposable weekly income of £194. Investigating income deciles shows the poorest 10% of UK society have a gross average weekly household income of £130 (£6,760 per year). Fuel poor households overwhelmingly comprise the poorest fifth of society: 85% of households in fuel poverty in England are located in the first and second income deciles and 78% of English households in those two deciles are fuel poor.
[44] Earlier this year, the Government published a comparison of theoretical energy consumption with actual usage which revealed households in in the lowest income decile using on average £189 less energy than standard theoretical assumptions. Special feature article from the March 2019 edition of Energy Trends statistical publication, see: https://www.gov.uk/government/publications/energy-trends-march-2019-special-feature-article-comparison-of-theoretical-energy-consumption-with-actual-usage
[45] Band C properties have a SAP score from 69-80.
[46] From the UKGBC response to the BEIS Call for Evidence – Energy Performance Certificates for Buildings. For more information please see https://www.ukgbc.org/news/ukgbc-responds-to-call-for-evidence-energy-performance-certificates-for-buildings/
[47] NEA and Future Climate, *Fuel Poverty and Houses in Multiple Occupation: Practitioners' Views, Final Report,* March 2016
[48] This could be achieved if all HMOs or all PRS properties overall are required to have an EPC as a mandatory condition within local authority licensing schemes. This would require a small adjustment to the secondary legislation which supports the Housing Act 2004.
[49] Houses in Multiple Occupation (Energy Performance Certificates and Minimum Energy Efficiency Standards) Bill, https://publications.parliament.uk/pa/bills/cbill/2014-2015/0082/15082.pdf
[50] In their 2019 Energy Efficiency report, the BEIS select committee stated "It is disingenuous of the Government to include the Warm Homes Discount in the energy efficiency fuel poverty figures as this distorts evidence of progress and obscures the true number of households that will be missed under the Government's 2030 statutory target. We recommend that the Government no longer counts the Warm Homes Discount towards fuel poverty energy efficiency targets." For the full report, please visit https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/1730/1730.pdf
[51] In particular, whilst NEA welcomed the UK Government commitment to ensure the entirety of ECO is targeted on those in or at most risk of fuel poverty, disappointingly the Government's new preferred policy had the least impact for those households in fuel poverty and the lowest Net Present Value (NPV) within the options presented within the consolation options. As a result, only circa 30% of measures delivered under the new phase of ECO up to 2022 will therefore be installed in fuel poor homes and the CFP estimates that over the 3.5 year programme, it will only lower the percentage of fuel poor homes in Band F/G by 1 percentage point. Despite this, the Minister of State recently incorrectly stated in Parliament "the energy company obligation is now 100% focused on fuel poverty".
[52] See chapter 5 page 49 of the BEIS Committee report to parliament on energy efficiency https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/1730/1730.pdf
[53] "Touching the voids report: The impact of energy efficiency on landlord income and business plans The report is available here: http://www.sustainablehomes.co.uk/touching-the-voids-report.
[54] In 2015, NEA and Agility ECO produced a report investigating the possibility to divert budgets currently allocated to load-related network upgrades into local schemes that improve energy efficiency. In the report this concept is explained fully and is referred to as Alternative Investment Strategy (AIS). Specifically, the report looks to analyse the "Size of the Prize" on Northern Power Grid's network, the economic feasibility of investment in local energy efficiency and how this compares to conventional network reinforcement and practical feasibility. To read the report visit: http://www.northernpowergrid.com/downloads/1704.
[55] For example burial fees and exclusive rights to burial in a particular plot, cremation fees, including the cost of the doctor's certificate, funeral director's fees, flowers, coffin travel to arrange or go to the funeral, the costs for moving the body within the UK. An indication of the scale of these to a surviving family member or society are that a direct cremation costs c. £1,600, a cremation using a funeral director £3,214 and a burial using a funeral director costs £4,136. Whilst some costs are covered for low-income households via a state Funeral Payment, often this is paid for on credit or often loans from a more affluent family member. This in turn inhibits a low-income families spending.
[56] In their report on meeting a net-zero target, the CCC articulate that domestic energy efficiency 9is crucial in meeting our carbon obligations https://www.theccc.org.uk/publication/net-zero-the-uks-contribution-to-stopping-global-warming/
[57] Within their 2017/18 energy efficiency inquiry, the BEIS Select Committee recognised the importance of energy efficiency in meeting climate goals. Foe more information, please see https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/1730/1730.pdf
[58] NEA have recently called for BEIS to reinstate the annual reporting and BEIS and HMT should follow the lead that Ofgem are taking in their draft consumer vulnerability strategy 2025 and create a framework for assessing the distributional impacts of their decarbonisation policies and make them public.
[59] Heat Decarbonisation: Potential impacts on social equity and fuel poverty, Maxine Frerk, Grid Edge Policy; Dr Keith MacLean, Providence Policy, September 2017.
[60] In their 2018 annual report, the Committee on Fuel Poverty proposed a Clean Growth Fuel Poverty Challenge fund to meet the gap in funding necessary to meet the fuel poverty milestones. For the full report, please visit https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/754361/Committee_on_Fuel_Poverty_Annual_Report_2018.pdf?_ga=2.107437506.1332797527.1566985327-1720402528.1531133939
[61] NEA has called for the re-establishment of relevant departmental capital spending later this year and ensure BEIS, the Department for Health and Social Care and Public Health England (PHE) all have some resource to help sustain existing preventative health-related fuel poverty initiatives. This would include the continuation and replication of activities previously undertaken via Warm Homes Healthy People Fund (WHHP) or DECC's previous Health Booster Fund. In addition, the department for Health and Social Care and Public Health England (PHE) must ensure the existing the value of preventative health-related fuel poverty initiatives is fully recognised within the final Green paper on Prevention and the forthcoming Green Paper on Social Care in England. This would help maintain and secure high-level acknowledgement of cold-related ill health as focus within the health sector. Finally, NEA has called for the review of the Better Care Fund to prioritise assistance for prevention-based activities for low-income households with long-term respiratory or circulatory health conditions. Prevention based activities must include home improvements that ensure these households live in a home which can be affordably heated.
[62] Rosenow *et al.* (2018) *The remaining potential for energy savings in UK households*
[63] Cambridge Econometrics & Verco (2014) *Building the Future: the economic and fiscal impacts of making homes energy efficient*
[64] Imperial College London (2018) *Analysis of Alternative UK Heat Decarbonisation Pathways*
[65] LBNL Indoor Environment Group (2016) *Cost Effectiveness of Improving Indoor Environments to Increase Productivity*
[66] CCC (2019c) *UK housing: Fit for the future?*, p. 42
[67] Imperial College London (2018) *Analysis of Alternative UK Heat Decarbonisation Pathways*
[68] BRE (2015) *The cost of poor housing to the NHS*
[69] Roys *et al.* (2016) *The full cost of poor housing*
[70] Business and Energy Secretary Greg Clark said: "the effects of energy price rises are often felt most by those on the lowest incomes. Enabling energy suppliers to establish who should be on Ofgem's safeguard tariff cap will help these vulnerable consumers. 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. These people can then be placed under Ofgem's safeguard tariff cap, protecting them from high bills and unfair price rises".
[71] Ofgem estimates that 2.2m customers are eligible for the warm home discount but do not receive it (https://www.ofgem.gov.uk/system/files/docs/2017/12/providing_financial_protection_to_more_vulnerable_consumers_0.pdf) This was verified by BEIS in their consultation on data matching (https://www.gov.uk/government/consultations/data-sharing-regulations-for-a-safeguard-energy-tariff)
[72] The scale of this challenge is stark, 47% of all fuel poor households in England are in full or part-time work and to meet the essential cost of living, NEA estimates that some families in fuel poverty face an income shortfall of up to £9,331 per year (£778 per month) to cover basic essentials, including energy. See NEA's report "Bridging the Gap, In November 2017.
[73] Taken from Defra Document – "Statistical Digest of Rural England November 2016 Edition" page 6. For the full document, please visit https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/571762/Statistical_Digest_of_Rural_England_2016_November_edition.pdf
[74] CCC, Energy prices and bills - impacts of meeting carbon budgets, March 2017 noted that if the insulation and low-carbon heat installations required to meet the carbon budgets can be successfully targeted at the fuel poor then around three-quarters can be lifted out of fuel poverty by 2030.
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[76] NEA highlights that net disposable income after housing costs of a low-income household is £248 per week (£12,933 per year), equating to 60% of the UK median of £413 per week. The income after housing costs of a fuel poor household is even lower: £10,118 per year, equating to a net disposable weekly income of £194. Investigating income deciles shows the poorest 10% of UK society have a gross average weekly household income of £130 (£6,760 per year). Fuel poor households overwhelmingly comprise the poorest fifth of society: 85% of households in fuel poverty in England are located in the first and second income deciles and 78% of English households in those two deciles are fuel poor.
[77] NEA provided oral evidence to the BEIS Committee during pre-legislative scrutiny of the Domestic Gas and Electricity (Tariff Cap) Bill in March 2018 and subsequently, following the publication of the Bill in Parliament, oral evidence to the Public Bill Committee in April 2018.
[78] NEA noted the Default Tariff Cap could provide some temporary relief from unpredictable price increases, greater transparency in the pass through of energy related policy costs and the prospect that bills could fall if input costs drop. For the majority of customers who don't (or can't) engage in the market, this continues to be a positive development, despite the recent rises that were announced on the 7th February.
[79] Ofgem consulted on how data-matching for an extended Safeguard Tariff may operate. NEA agreed with the introduction of a licence conditions obligating suppliers to take preparatory steps to have arrangements in place with the Department for Work and Pensions (DWP) for when the necessary data matching exercise. NEA also welcomes Ofgem addressing the unacceptable variance in the coverage of the previous Safeguard Tariff and we express our support for ensuring suppliers over 50,000 customers were able to deliver and target this vital assistance effectively in the near

future. NEA also welcomed Ofgem committing to develop and implement the necessary data privacy impact assessments in time for when the extended Safeguard Tariff would have been implemented for all customers eligible for the Warm Home Discount (within both the WHD core and broader group), by no later than December. In addition, a letter by the Secretary of State to the BEIS Committee Chair noted the Government's support for working with Cabinet Office, the Department for Work and Pensions and Ofgem on amending the Digital Economy Act to extend the Safeguard Tariff. The Government subsequently amend the regulations to allow the powers within the Act to be used for this purpose. However, the consultation failed to provide clarity these steps will be introduced.

[80] NEA also stressed the need for and then the need to utilise the new data sharing powers that are now available via the Digital Economy Act which allow suppliers to work with government to carefully identify those for who energy bills are high and potentially putting them in financial difficulty.

[81] Following a series of cross party amendments NEA were subsequently given assurances in the House of Commons by Claire Perry MP, BEIS Energy Minister, and subsequently in the Lords by the Parliamentary Under Secretary of State Lord Henley during the final stages of the Bill that "Ofgem is proposing to keep the Safeguard Tariff in place if the new price cap is materially higher (i.e. gives less protection) than the level of the Safeguard Tariff". Following these developments, the Chief Executive from Ofgem also met with NEA, the Energy Minister and the Chair of the BEIS select Committee and gave similar reassurances.

[82] Business and Energy Secretary Greg Clark said: "the effects of energy price rises are often felt most by those on the lowest incomes. Enabling energy suppliers to establish who should be on Ofgem's safeguard tariff cap will help these vulnerable consumers. 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. These people can then be placed under Ofgem's safeguard tariff cap, protecting them from high bills and unfair price rises".

[83] Dermot Nolan, Ofgem CEO said to the BEIS Committee during the Bill's pre-legislative scrutiny "In my view, yes…I would envisage a very possible situation in which if a full, market-wide price cap was removed, Ofgem would continue with the price cap for vulnerable consumers".

[84] Claire Perry MP, BEIS Energy Minister also stated publicly to the Public Bill Committee in April that the UK Government recognised the need for the Safeguard Tariff to continue even if the SVT wide cap is in place by this winter. Further to this, the Minister also restated that the UK Government supported the positive case for the Safeguard Tariff to be expanded to those eligible for the Warm Home Discount scheme and this would be possible once the revisions to the necessary data-sharing in the Digital Economy Act schedules have been made.

[85] Over 1 million low-income pensioners are now likely to pay a minimum of £4m more than they would have done under the previous Safeguard Tariff.

[86] If only the compulsory broader group is awarded an automatic rebate, then 0.6 million more homes will be helped. If the whole broader group can receive the rebate automatically, then this will increase to 2.2m customers.

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[98] See transcript of the CMA Energy Market Investigation's hearing with consumer advice organisations on 2 September 2015

[99] NEA (2012) Green Deal and Energy Company Obligation: The design and delivery of energy efficiency and fuel poverty advice services to vulnerable citizens. Funded by DECC. Available at: http://www.nea.org.uk/wp-content/uploads/2016/02/02-NEA-2012-GD_advice.summary.FINAL_.pdf.

[100] Jacques, B. et al (2016) Relationship experts - Behaviour Change and Home Energy Coaching. Funded by the Welsh Government. Available: http://www.nea.org.uk/wpcontent/uploads/2016/07/Relationship-experts_final-report.pdf.

[101] Ofgem (2003) Good practice in the provision of energy efficiency advice; Ofgem (2014) Warm Home Discount (WHD): research into consumer experiences of receiving energy advice.

[102] Dr Peter Bonfield (2016) Each Home Counts: Review of Consumer Advice, Protection, Standards and Enforcement for Energy Efficiency and Renewable Energy. Commissioned by DECC, now part of BEIS, and DCLG. Available: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/578749/Each_Home_Counts__December_2016_.pdf.

[103] As a result, HIP helped deliver considerable improvements in how households experience their home heating, including aspects such as control over heating systems and ease of use but also thermal comfort and energy bill affordability. In addition, over half of households who received large measures and almost half of small measures households, associated changes in their pre-existing health conditions to the receipt of their HIP interventions.

[104] From the WHD Imoact Assessment see:https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/716463/Warm_Home_Discount_FS_IA_Signed.pdf

[105] In particular, it does not account for any potential future increase in the size of the eligible WHD cohort nor does it account for any potential future increase in the rebate amount to adjust for energy costs and inflation.

[106] This figure is estimated, based on figures provided by BEIS based on data from DWP. The estimate of broader group recipients communications with the BEIS Warm Home Discount team who estimate from DWP data that a further 1.7m households are captured by the mandatory broader group criteria. An estimate of all customers that qualify for the broader group would increase this number by over a million, based on the WHD 2019/19 Impact Assessment (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/716463/Warm_Home_Discount_FS_IA_Signed.pdf)

[107] For the existing scheme numbers, the BEIS impact assessment assumes that some of the industry initiative money is used for rebates. The table is consistent with this, for the existing scheme. For the proposed scheme, we assume that no industry initiative money is spent on rebates.

[108] The compulsory Broader Group criteria is set out in Ofgem's Guidance for Suppliers (Version 6.1), August 2018.

[109] See: https://www.ofgem.gov.uk/sites/default/files/docs/2015/04/smi_methodology_apr2015_0.pdf.

[110] This is based on Ofgem's assumption in 2016 that environmental and social obligation make up to 8% typical dual fuel bill, see: https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/understand-your-gas-and-electricity-bills.

[111] CCC, 2017, Energy Prices and Bills - impacts of meeting carbon budgets, Annex Levy Control Framework costs and cost sensitivities.

[112] This cost takes account of the £476 million spending envelope only and excludes any administration costs that may be incurred and passed on by suppliers for delivering WHD.

[113] This is based on the price cap for the average dual fuel customers, as set on January 2nd 2019. The cap will increase on the 1st April 2019, meaning that the percentage of the bill that an increased WHD levy would account for would reduce.

[114] If only the compulsory broader group is awarded an automatic rebate, then 0.6 million more homes will be helped. If the whole broader group can receive the rebate automatically, then this will increase to 2.2m customers.