Action for Warm Homes

CONSULTATION RESPONSE

Issued: August 2021 | Contact: matt.copeland@nea.org.uk

NEA response to BEIS Warm Home Discount Scheme 2022-26 Consultation

About National Energy Action (NEA) and our work on Warm Home Discount

NEA[1] works across England, Wales and Northern Ireland to ensure that everyone in the UK[2] can afford to live in a warm, dry home. To achieve this, we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives. NEA's work is also delivered in partnership with local and national governments, regulators, industry and the third sector to deliver practical solutions to improve the quality of life for those living in cold homes.

This practical support includes delivering vital assistance under Warm Home Discount (WHD). In Scheme Year 9, NEA managed ten Industry Initiative projects across eight suppliers. Within those projects:

- We provided more than 1,300 people with benefits entitlement checks, resulting in the receipt of an additional £3.9 m per year in benefits. This equates to an average increase in income of more than £2.9k per person helped.
- We provided more than 150 households with energy efficiency measures and/or energy efficient appliances.
- We gave more than 6,300 households energy advice to help them understand how to better use energy to keep themselves warm and well at a lower cost.
- We trained more than 2,800 people across 400 organisations to provide energy advice, who we estimate will go on to help more than 940,000 households[3] per year.
- We provided more than 69,000 people with financial assistance and debt relief, helping them to clear their energy debts so that they can continue to keep on supply.

Summary of our response

Over the last five winters the number of excess winter deaths due to living in a cold home is estimated at approximately 10,000 per year[4]. In 2017/18, the number of excess winter deaths (EWDs) across England and Wales exceeded 50,000, the highest recorded for over 40 years[5]. While the causes of EWDs vary[6], we estimate one of the largest contributors to these needless deaths is vulnerable people, often struggling with existing ill-health, being unable to heat their homes adequately, if at all[7].

As well as an unacceptably high number of preventable winter deaths, over the course of the last two years, there has been a clear overlap between cold homes and Covid-19, exacerbating the trend of millions of people struggling to afford to adequately heat and power their homes[8]. In addition, following the recent announcement by Ofgem of the biggest ever increase to the energy price cap[9], over 15 million domestic customers will shortly see surge in their energy costs at the same time as a reduction in their incomes, as furlough winds down and the uplifts to Universal Credit are likely to be withdrawn. This 'toxic' combination of higher prices and reduced incomes could lead to a surge in utility debt and badly damage physical and mental health[10]. irrespective of whether they also live in older, leaky inefficient housing. The resulting impact on health services is acute; costing the NHS in England alone between £1.4bn and £2bn every year even before Covid-19 taken into account[11]. As well as financial pressures, the impact places needless strain on our stretched health and social care services.

In response, NEA believes the WHD has a significant positive impact on making energy more affordable for households that are struggling to pay their bills, helping them to stay warm and well. Across the whole market, Ofgem say that in Scheme Year 9 (the latest year with available data), 1.06m customers were provided with a core group rebate, a further 1.07m customers were provided with a broader group rebate, and help was provided to more than 450,000 households through Industry Initiatives. As noted above, NEA also continues to provide vital support via this component of the scheme[12]. Given this vital 'winter lifeline', last year, NEA and our campaign partners[13], urged the UK Government to extend and expand the WHD to support more low income and vulnerable households with rebates off their energy bills and with broader energy advice and debt support, via industry initiatives. In our report "Keeping Britain Warm and Well"[14], we, along with our partners Fair By Design, set out our criteria for a new, extended and expanded WHD Scheme. The report recommended that the scheme should be extended by at least three years, with a larger spending envelope, in order to provide automatic rebates to a broader group. It also recommended that: The core group should remain with no changes; That more suppliers should have the WHD obligation; that the rebate should not reduce below £140; and that the amount of money available for Industry Initiatives should increase. NEA was subsequently delighted that the Energy White Paper and subsequent consultation confirms the expanded scheme will continue until at least April 2026. Whilst these key developments mark significant progress, some of the details of the proposals within the consultation have the potential to undermine the positive policy intent stated within the White Paper. NEA hopes that BEIS will:

1. Improve fairness within Core Group 2
2. Reduce the risk placed on Industry Initiative delivery organisations
3. Ensure there is sufficient funding for energy and income advice

How these vital areas can be addressed is noted below.

Improving Fairness within Core Group 2

Key Recommendations

1. **The value of the rebate should be maintained at £140, with the number of recipients set at ~ 3 million as proposed**. The £30m raised from doing this should go towards Industry Initiatives. This would both help to re risk the delivery of industry initiatives, and to rebalance the scheme so that a greater proportion of support can go to fuel poor households who do not receive means tested benefits (roughly half of fuel poor households)
2. **The second, in-year reconciliation for the Industry Initiative budget should be removed to de-risk the delivery of projects.** This should be replaced by carrying through the reconciliation to the budget for the following year. In the last year of the scheme, this will not be possible. Therefore, the number of rebates given to the Core Group 2 should be changed in accordance with this in Scheme Year 14.
3. **Rules around spending within Industry Initiative projects should be less prescriptive.** The proposed rules could result in a reduction of the highest value activities - energy and income advice. The prescriptive rules proposed should not be used to direct funding for industry initiatives, and supplier should have more autonomy to decide which activities to pursue.
4. **The selection process for Core Group 2 should be made more fair through:**
   a. Ensuring that the process follows the ALGO-CARE principles
   b. Using the available data to rule out households that are least likely to be struggling to stay warm in winter, for example those with EPCs of A or B.
   c. Using any available health data to prioritise households living with a health condition that could make them vulnerable to living in a cold home.
5. **The sweep up process should be improved to ensure a better journey for households**. This should be done in consultations with charities, consumer groups, and households themselves.
6. **Suppliers of Last Resort should be mandated to take on the full obligation of the exiting supplier.** This will de-risk delivery of the scheme.

Our response to this consultation

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

Yes, NEA agrees that the current Core Group cohort should remain unchanged, becoming Core Group 1. Those households who qualify or Core Group 1 are in receipt of the guaranteed element of pension credit. This means that they have an income, after receiving their benefit, of £177.10 per week (£9,200 per year) for a single person, or £270.30 per week (£14,000 per year) for a couple. This equates to an income, for a single person, of less than one third of the median[25],significantly less than the income level set within the new Fuel Poverty measure[26].

Additionally, all households in receipt of Pension Credit Guarantee Credit are of pensionable age. The vast majority of people of pensionable age are aged 65 or over, which makes them more vulnerable to the impacts of living in a cold home.[27] Lastly, this group currently receives the rebate automatically, and often use it as part of their annual budgeting. Removing an automatic rebate would likely make a significant different to the affordability of energy for this group.

Given the acute vulnerability to the cold that is faced by the current Core Group, and the automatic nature of the rebate, NEA believes that it is very important for these rebates continue unchanged.

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

Yes, NEA has long campaigned for the rebates part of the scheme to be more automated, ending the lottery of the broader group. Automatic targeting, if done well and adequately resourced, should ensure a much fairer scheme, providing a better customer journey for qualifying households and ending the need to be aware of the scheme and to apply for a rebate if part of the broader group. NEA believes that the move towards automatic targeting is long overdue and is a positive development.

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

No. NEA does not agree with the whole approach taken to determine the eligibility criteria for Core Group 2.

The first part of the data matching process, using data from DWP must identify the poorest households in receipt of means tested benefits. NEA therefore agrees the need to limit the eligible benefits to those households who are in receipt of means tested benefits, excluding those benefits that are not means tested, particularly as the total amount of funding available will not provide rebates for all households eligible under the income criteria. However, NEA is not confident that the second part of the data matching process will result in a fair scheme with desirable outcomes. This is for several reasons.

NEA does not believe that the use of valuation office data to estimate energy usage is robust, something that the consultation itself alludes to: *"The high-energy-cost criteria and model can predict fuel expenditure which is accurate to within 10% in half of cases, to within 20% in 80% of cases, and within 50% in almost all cases"*. For 50% of cases to have more than a 10% inaccuracy implies that there could be significant errors in the system.

Furthermore, the proposed methodology will likely result in people living in smaller properties being excluded from receiving a rebate, as their floor size will lead to relatively low estimated energy costs. This will result in poorer households living in small homes being excluded from rebates, potentially at the expense of relatively more affluent household living in bigger properties. The poorest households have a significant likelihood of energy rationing, facing starker choices as to whether to heat or eat.

Moreover, the proposals also neglect to take heating type into account, which can have a significant impact on fuel bills. The average fuel poverty gap for electrically heated households is more than double than for those households that use gas to heat their homes, yet the proposal does not take this into consideration. A mechanism that does not take these issues into account cannot be compliant with the 'Worst First' principle.

This is illustrated within the impact assessment, which shows single person households losing out as a result of this policy. The table below[28] illustrates the winners and losers of the proposals. One person, working age households represent 15% of all fuel poor households, and are under-represented in current recipients of WHD rebates. The proposals serve to make this worse, as they will receive proportionally fewer rebates, and actually receive fewer absolute rebates. Lone parents will also proportionately lose out as a result of these changes, compared to other household types.

46,000 households with no dependent children and no persons aged 60 or over live in properties with an EPC of F or G, with a fuel poverty gap of over £1,000. It is unlikely that these households will receive a rebate under the proposals.

<table>
<tr><th>Household Composition</th><th>Total Number of Fuel Poor Households</th><th>WHD Rebates</th><th>WHD Rebates Proposed</th><th>Proportion of Fuel Poor Households</th><th>% of WHD Rebates No Reform</th><th>% of WHD Rebates Proposal</th></tr>
<tr><td>Couple with dependent child(ren)</td><td>849,000</td><td>160,000</td><td>530,000</td><td>27%</td><td>8%</td><td>20%</td></tr>
<tr><td>Couple, no dependent child(ren) under 60</td><td>226,000</td><td>150,000</td><td>240,000</td><td>7%</td><td>8%</td><td>9%</td></tr>
<tr><td>Lone parent with dependent child(ren)</td><td>430,000</td><td>270,000</td><td>340,000</td><td>14%</td><td>14%</td><td>13%</td></tr>
<tr><td>Couple, no dependent child(ren) aged 60 or over</td><td>416,000</td><td rowspan="2">800,000</td><td rowspan="2">880,000</td><td>13%</td><td rowspan="2">42%</td><td rowspan="2">33%</td></tr>
<tr><td>One person aged 60 or over</td><td>412,000</td><td>13%</td></tr>
<tr><td>One person under 60</td><td>474,000</td><td>250,000</td><td>240,000</td><td>15%</td><td>13%</td><td>9%</td></tr>
<tr><td>Other multi-person households</td><td>369,000</td><td>280,000</td><td>440,000</td><td>12%</td><td>15%</td><td>16%</td></tr>
</table>

Below is an example of a household that NEA has previously provided support to, that would be unlikely to continue receiving the WHD rebate if the proposals are taken forward

Example of a struggling household that would be unlikely to qualify for the rebate.

A single female parent, aged 35, with a daughter aged 2 that lives in a ground-floor flat provided by her local council which is 38sqm in floor size according to the EPC certificate. The property is rated Band D, and the main heating is electric storage heaters, the hot water provided by an off-peak immersion heater. Her household income when we spoke in an interview was less than £230 per week, and she lives in South East England.

She received support from the Industry Initiatives part of the WHD, which included successfully applying for WHD. She said that even after receiving support she finds it difficult to keep her whole house warm when it is cold outside, because it costs too much, and described affording her energy bills as “quite difficult” even after receiving support. However, before receiving support, she described affording her energy bills as “very difficult”, i.e. even though it’s still hard, there was an improvement in affordability for her after receiving support.

She continued that after receiving support, “some of the time” she has her heating on lower or less often than she’d like (i.e. rationing), and doesn’t heat all of the rooms in the flat, so she can save money. However, before receiving II support, she said she did both of these things “all of the time.” As above, still rationing going on, but there was an improvement in the frequency of energy rationing practices after receiving support.

With regard to the rebate she received, she said: “*my bill went up two times in the winter. In the summer it is just like 60 but when it comes to winter it is 140. I was shocked. “Oh, my God,” I said, “How could I…?” Then, what I did, I don’t put heating on in my lounge, just in my bedroom, so that is how I did before. I mean, I can control my bill, yes*.”

In order to reduce energy costs, she would confine herself to the bedroom: “*We don’t watch TV, just keep warm ourselves in the bedroom, yes, because I can't afford for two heating in this house*”, and would use other familiar coping tactics such as keeping herself and her daughter wrapped in thick clothes. This had a corresponding health impact: “*when I try to keep myself low in budget to pay the bill, and I have a health issue, I have asthma so that is why I'm struggling as well, because when I don’t put heating in the lounge the damp starts, yes, in this house, in this flat*.”

She successfully got the WHD rebate. In her words: *“I just feel, oh, I feel blessed (Laughter), of course, yes, of course, 140 on my bill and straightaway it is gone and I have credit. Then, after that I can use my heating without worry. Yes, I'm happy with that, of course. […] I feel, Oh, this month I can use my money to other things. It is like that.”*

NEA understands the trade-offs in managing these risks but suggests that it could be practical to::

- Using EPC data, where possible, to ensure that those households with the most efficient homes (EPC A or B) do not receive a rebate, improving the chances of those living in the least efficient homes of receiving support.

- Excluding households living in the largest properties, where floorspace exceeds 110Sq meters. This group has a relatively low proportion of households in fuel poverty (although NEA would be keen to understand whether this remains true for low-income households living in large homes).
- Using data on the health of occupants. This should include an analysis of the available data to understand the health of householders, and a prioritisation of householders who have a health condition that makes them vulnerable to living in a cold home, as per the Nice NG6 guideline.

Additionally, NEA recommends that since the Government is using an algorithm to decide on winners and losers within a vulnerable section of society, they ensure that the process meets the ALGO-CARE standard. Namely that the process: is Advisory in that a human will make the final decision; is Lawful in its application; has the right level of Granularity to ensure good outcomes; has clear Ownership structures; is Challengeable by households; is Accurate in delivering its aim; is transparent and used in a Responsible way; and is Explainable to households.

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

NEA believes that setting out a bespoke pot of money to help households containing a person with a disability is a reasonable approach, however this could be somewhat refined.

Firstly, NEA believes that if BEIS cannot take our recommendation regarding providing Core Group 2 rebates to households with health conditions that are impacted by fuel poverty, then this pot of money should be available to help those households too, as well as households with disabilities.

Additionally, NEA does not believe that this part of the scheme should limited to direct financial assistance and should be available for all other allowed industry initiative activities. As shown in the table below, financial assistance is relatively low value for households on average, and in many situations disabled households (as well as those with health conditions) could benefit more from energy advice, income advice, or energy efficiency measures.

Industry Initiative Activity	# Customers Helped in SY9	£ spent in SY9	Estimated Value
Benefit Entitlement Checks	40,000	£3.5m	£40m[29]
Energy Efficiency Measures	35,000	£12.5m	£42m[30]
Energy Advice	300,000	£9.5m	£30m[31]
Debt Assistance	25,000	£6.3m	£12.4m[32]
Financial Assistance Payments	11,000	£631k	£1.2m
Mobile Homes	4,000	£560k	NA[33]
Referrals	33,000	£245k	NA[34]
Management/Admin Costs		£4m	NA
Total[35]	**456,000**	**£37m**	**£125m**

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

As noted above, NEA supports the use of data-matching to target assistance but we do not support the process regarding energy costs.

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

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

Yes. Although the proposed approach places a burden onto those organisations that delivery Industry Initiatives (as the final Industry Initiative obligation for each supplier will not be known until after the qualifying date), NEA believes it is important to find those households that are most likely to be vulnerable in the coming winter. If this process were to be started earlier, there would be potential for missing more households that qualified for benefits later in the year. Therefore, NEA agrees with the proposed approach, and hopes that BEIS takes our proposals regarding the reconciliation of the Industry Initiative 'Pot' into consideration.

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

No. NEA believes that the sweep up process could be significantly improved. A household being told, by letter, that they will not receive a rebate due to estimated attributes of their homes, with advice to visit a website in order to better understand the issue, is not straightforward for a number of reasons:

- The household may not fully understand the relatively complicated data matching and prioritisation criteria that needs to be communicated in a very simple way within the letter.
- In all other aspects of the energy market, the advice for struggling households is to 'contact their supplier'. In this instance, they are being advised to contact DWP. This could result in calls from households to suppliers that are unhelpful for both, meaning a household does not move towards a solution, and the supplier has increased call volumes.
- Across the UK, it is estimated that 20% of households are digitally excluded in some way, and households that meet the income criteria for Core Group 2 are more likely to be digitally excluded than others.
- The alternative evidence for a household to provide in order to show that they should be in receipt of the rebate seems very complex, and could potentially be very difficult for a vulnerable household, of which there could be a significant number receiving the WHD.

To remedy the poor customer journey, we recommend the Department adopts inclusive design principles and seek feedback directly from current recipients on a more streamlined process for households to contest the decision to remove their current eligibility for a rebate. This must include the ability of households who are not online to be able to challenge these decisions. Without good governance around the selection algorithm, there is a significant risk that the process is perceived as unfair and that the households in most need of a rebate miss out through no fault of their own. In response, NEA recommends that the Government adopts the ALGO-CARE standard. Namely that the process: is Advisory in that a human will make the final decision; is Lawful in its application; has the right level of Granularity to ensure good outcomes; has clear Ownership structures; is Challengeable by households; is Accurate in delivering its aim; is transparent and used in a Responsible way; and is Explainable to households

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

No. As per our answer to question 8, NEA believes that the overall process for the sweep up process is flawed and requires improvement.

For the proposed permitted alternative data source in particular, it does not seem sensible for a low-income household to have to pay for an EPC in order to prove their eligibility. To have to spend £60 to potentially receive a £150 rebate does not seem reasonable. NEA recommends that BEIS consider how EPCs could be funded for the poorest households, not only in order to ensure that the WHD can be targeted as well as possible, but also to make the most effective decisions in achieving the fuel poverty target, for all fuel poor households to reach EPC C by 2030.

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

Yes. However, whilst NEA agrees with the overall spending targets, we note that while three million households will qualify for the WHD across Great Britain, there are almost 4 million fuel poor households across England[36], Wales[37] and Scotland[38]. Furthermore, the scheme targeting is such that approximately half of recipients are not fuel poor. This means that there are a significant number of households that will not receive support.

While NEA appreciates the reasons why not all fuel poor households will receive support through the WHD, it is imperative that there is sufficient funding to improve the energy efficiency of fuel poor homes in order to sustainably reduce their energy costs. In particular, the upcoming Comprehensive Spending Review must include:

- The full funding for the Home Upgrade Grant Scheme (the remainder of £2.5bn up to the end of this parliament.
- The remainder of the Social Housing Decarbonisation Scheme funding for this parliament.

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

Yes. NEA agrees with this apportionment.

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

Yes. NEA agrees with the proposal to make industry initiatives spending mandatory. NEA believes that there is significant value, beyond the delivery of the scheme, of a supplier partaking in industry initiatives. Doing so embeds vulnerability in the suppliers, means that they have better expertise as to understanding their customers' needs and results in better outcomes for vulnerable customers across the market.

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

No. NEA does not agree with the proposed approach. It places a high level of risk placed on to organisations that deliver Industry Initiative delivery organisations, many of which are charities. The approach proposed will mean that industry initiatives will continue to act as a buffer for the rebates portion of the scheme, with a variable envelope to compensate in uncertainties around Core Group 1 and Core Group 2 spend. Currently, the reconciliation mechanism results in Industry Initiative projects often being agreed late in the scheme year. As the scheme administrator does not allow delivery organisations to work at risk (i.e. before a contract has been signed), that increases the delivery risk, but also means that additional capacity must be held in order to deal with fluctuations in demand from energy suppliers.

The proposed approach exacerbates this issue, with the potential for significant pre-year and in-year fluctuations in Industry Initiative spending budgets. As well as being exceptionally challenging for delivery organisations, the outcomes associated with the proposals will not be optimal for fuel poor households. A low certainty of funding until later in the scheme year will lead to worst quality of outcomes, that are not as well targeted to those most in need. A key foundation of Industry Initiative projects is to achieve good value for money for the bill payers that contribute towards the scheme. Whilst additional funding is always welcome it is just a fact that better value and better outcomes are achieved when organisations have time to plan for delivery, build secure reliable referral networks and understand the likely volume of demand they will need to respond to. The proposed level of uncertainty will mean that NEA and organisations like it cannot plan for capacity needs. The result of this will be poorer outcomes for the most vulnerable energy customers.

NEA believes that this risk could be mitigated through one or both, of the following options

1. That the Rebate value is maintained at £140, and that the savings from this change is used to increase the pot of money available for industry initiatives by £30m. This would both reduce the delivery risk for industry initiatives and rebalance the scheme so that it isn't so heavily weighted towards households that receive a means tested benefit, where half of

fuel poor households in England do not receive one. This would lead to more households being supported by WHD and would also reduce the delivery risk of industry initiatives in proportion to the funding.

2. The proposed in-year reconciliation process should be removed. This may lead to an over, or underspend of industry initiatives in each year. However, this under/overspend would be integrated into the spending envelope for industry initiatives in the following year. Given that in Scheme Year 14 there is no opportunity to carry forward under/overspend, NEA therefore proposes that this could be mitigated through flexibility in the number of rebates for Core Group 2 in Scheme Year 14.

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

No. Whilst NEA believes that the rebate should not be reduced below the current £140, given the number of households in fuel poverty (almost 4 million across Great Britain), NEA recommends that the rebate continues to be set at £140 in order to maximise the number of recipients of the rebate. Furthermore, the savings from this change should used to increase the pot of money available for industry initiatives by £30m. This would both reduce the delivery risk for industry initiatives and rebalance the scheme so that it isn't so heavily weighted towards households that receive a means tested benefit, where half of fuel poor households in England do not receive one.

Additionally, taking this approach would lead to more households being helped. This is because the average cost to provide an industry initiative for a household is less than the cost of providing a rebate. As per the table in our answer to Question 4, the average cost of providing an industry initiative is £81, significantly less than the cost of a rebate. Therefore, reducing the rebate to £140, and using the proceeds to increase the industry initiative pot by £30m could lead to an additional 370,000 receiving support from the scheme.

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

Yes, NEA agrees with keeping the scheme year as April to March.

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

No. In our response the consultation regarding WHD Scheme Year 11, NEA stated that there is a large risk that because of increased energy costs and reduced incomes, the scale of the energy debt as we exit the pandemic will be larger than before COVID-19. We recommended that the £5 million cap for financial assistance should be reduced to £1m so that it didn't not compromise other activities that are allowed within the industry initiative programme that has been shown to have larger and longer lasting value to households.

NEA broadly maintains our view that financial assistance should not be prioritised over other areas of the scheme that are more valuable to households (see table in answer to question 4). We are particularly concerned about the proposed minimum overall spend in this area, when stacked on top of several other proposed minimums. While there is a proposed upward trajectory for industry initiatives over the course of the four years, there is a risk that the overall envelope is reduced by £10m each year due to the uncertainty surrounding the number of households in Core Groups 1 and 2. Furthermore, the proposals around an Industry Initiative to provide rebates to low-income households with a disability will reduce the overall pot that is available for energy advice, income advice, and physical measures by a further £5m. This means that in the first year of industry initiatives, with a £10m uncertainty and two £5m minimums, there could be only £20m left for other initiatives such as energy advice and income maximization. These two areas are particularly valuable for households, especially when compared to rebates and financial assistance:

- We have found that benefits entitlement checks are significantly higher value than rebates. In Scheme Year 8, £2.3m was spent overall in the scheme, helping 31,359 households, a cost of £73 per household[39]. Our own benefits checks create an average additional income of £2.7k for household. This is significantly better value for money than a single payment of a rebate or fuel voucher.

- Energy advice can often lead to switching suppliers. Ofgem say that this can save a household £260 per year on their energy bill. In Scheme Year 8, £6.0m was spent overall in the scheme, helping 442,551 households, a cost of £14 per household[40]. Even at a very low estimation that only 1 in 10 households receiving advice switch their supplier, this still returns more value than a rebate or voucher, with savings that can last multiple years.

NEA therefore recommends that there should be no minimum spend for financial assistance, and that the maximum should, at a maximum, be retained at its current level.

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

NEA agrees with this proposal.

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

No. NEA does not agree with this proposal. While the policy intent to help those households who use prepayment meters, and who self-disconnect, or are at risk of self-disconnection is clear and admirable, this proposal does not seem like the most effective way to reach the desired outcomes. In our experience, the cause of self-disconnections for financial reasons is not often related to the amount of debt associated with the meter. Prepayment customers have usually built up debt, and are placed on the meter to recover that debt. As per the new ability to pay principles that Ofgem has now placed into the supplier licence, a customer should be on a repayment plan that is affordable, and does not result in them self-disconnecting. Because of this, it is rare that prepayment customers will seek help from organisations like NEA regarding debt, as there is already a system in place for repayment. We are much more likely to see clients who use credit meters, who have larger debts that are likely to increase, and then be moved onto prepayment.

In our experience, where prepayment customers do self-disconnect due to their debt, it is because of how the debt is recovered. For example, where the debt sits at the "front of the meter", it is often recovered at quite a high rate (for example 90% of each top up). A much more cost-effective option would be for energy advice surrounding debt for prepayment households, including how to request a debt repayment plan that is more affordable, such as moving the debt to the "back of the meter".

NEA does note, however, that in some circumstances, debt is a persistent issue and debt write off could be useful. NEA therefore recommends the portion of money specifically reserved for prepayment households that self-disconnect, there should be a variety of ways in which the money can be used, including energy and income advice, debt write off and financial assistance.

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

No. In our response to the consultation regarding the WHD Schem Year 11, we argued that debt write off should not be reduced any further. We continue to believe that this is the right approach.

We have previously shown concern about the reducing cap for debt write off, and we maintain this concern given the nature of likely increased fuel debt that will be incurred due to the COVID-19 pandemic. The pandemic has exacerbated the issue of energy affordability in the short term, reducing incomes and increasing energy usage. This has led to increased utility debt. In August, Citizens Advice estimated that 2.8 million UK adults had fallen behind on their energy bills.[41] According to the ONS[42] 56% of Britons say their energy consumption is up and a recent study by Energy Helpline suggested that this could lead to a £1.9bn increase in bills between October and March. A poll conducted by YouGov for NEA showed that one in three British households are concerned about the health impacts of living in a cold home this winter.

Outside of WHD, NEA has also called on the UK Government to help accelerate the clearance of growing levels of utility debt by promoting Water and Fuel Direct and directly supporting households to make greater third-party contributions[43].

Question 20 – Do you agree that the individual debt-write off cap should continue to be capped at £2,000? If you think an alternative cap should be set, for instance more in line with average energy debt levels, please provide your reasons scheme year 2021/22? If not, provide evidence for alternative levels.

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

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

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

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

Yes. Gas boiler repairs and replacements are not considered key measures to make progress towards the fuel poverty interim milestones and 2030 target. NEA has however highlighted in a typical semi-detached home, upgrading heating controls and replacing a gas boiler that is around 80 per cent efficient (D rated) with a new boiler will save around £85 a year, whereas replacing a boiler that is 70% efficient (G-rated) could save over £300 a year. This is based on a 70 per cent or below efficient boiler with no heating controls being replaced by an at least 90 per cent efficient boiler with heating controls. Households which have the worst performing boilers could save even more than this. Heating and hot water accounts for about 60 per cent of what a household spends in a year on energy bills, so an efficient boiler makes a big difference, especially to those households which are struggling to pay their energy bills.

However, BEIS should use the best available evidence when defining households that are vulnerable to the cold. The NICE NG6 guideline uses the following criteria, and NEA recommends that BEIS use these criteria in order to remain consistent with the best available evidence:

- People with cardiovascular conditions
- People with respiratory conditions (in particular, chronic obstructive pulmonary disease and childhood asthma)
- People with mental health conditions
- People with disabilities
- Households with young children

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

Yes. Given the improved targeting for households with health conditions to receive boilers, NEA agrees with this proposal and believes the proposed cap is broadly appropriate.

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

Yes. NEA agrees with this proposal and has long since urged for supplier thresholds to be reduced as low as is practicable.

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

Yes. NEA agrees with this proposal.

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

NA

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

Yes. NEA agrees with this proposal.

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

No. NEA does not agree that the current SOLR arrangements should continue.

The current arrangements create a significant risk for organisations that deliver industry initiative. In NEA's own direct experience, if an obligated supplier fails, there is a possibility that work already completed towards an industry initiative obligation is not paid for. In future, this risk is likely to increase as more smaller suppliers become obligated.

Beyond industry initiatives, it is important that rebates for each qualified household are paid. It would be unacceptable for consumers to pay towards a policy, for the outcomes of that policy not to be fulfilled.

In order to remove this risk for both consumers and industry initiative delivery organisations, one option is to make the transfer of WHD obligations to the SOLR mandatory. If this was to be done, the SOLR process already provides a mechanism for recovering the extra associated costs through a mutualisation process,

Another way to remove the risk for industry initiative delivery organisations would be to ensure protection of industrial initiative funding, so that costs are always paid. This could be achieved, for example, through creating a protected fund that should be paid into by suppliers at the beginning of the year, so that if a supplier exits the market, the money will not be lost, and work can both be completed and paid for.

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

Yes. NEA agrees with this proposal.

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

Yes. NEA agrees with this proposal. However, it might be prudent, in order to limit the administration costs of the scheme, to only introduce the second customer reporting date for only the smallest suppliers.

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

Yes. NEA agrees with this proposal.

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

Yes. NEA agrees with this proposal as long as their customers are made aware.

References

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

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

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

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

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

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

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

[8] Within the document they highlight why tackling cold homes should be a priority to protect older people, people with pre-existing chronic medical conditions such as cardiovascular and respiratory conditions, in particular chronic obstructive pulmonary disease (COPD) and asthma, and diabetes, people assessed as being at risk of or having had recurrent falls, people who are living in households experiencing fuel poverty and people experiencing homelessness or rough sleeping. The document goes on to add that many of these groups are also at greater risk of severe illness from COVID-19. See: https://www.gov.uk/government/publications/health-matters-cold-weather-and-covid-19/health-matters-cold-weather-and-covid-19

[9] https://www.nea.org.uk/news/fuel-poverty-charity-comments-on-devastating-increase-to-energy-price-cap/

[10] According to a recent NEA call for evidence many fuel poor households are adopting unsafe strategies to try and survive winter. This includes the regular use of older dangerous or un-serviced heating appliances is commonplace, despite being potentially fatal or leading to heightened risks for nearby neighbours as a result of carbon monoxide poisoning or in extreme situations, fires, and explosions. Many more people are going to bed early to keep warm

and using candles to save on electricity. People struggling to heat their homes are also spending their days in heated spaces such as libraries, cafes or even A&E to avoid the cold, damp and unhealthy homes continue to cause shocking levels of unnecessary hardship and premature mortality.

[11] 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.

[12] https://www.ofgem.gov.uk/sites/default/files/docs/2020/12/warm_home_discount_annual_report_-_scheme_year_9.pdf

[13] Our campaign partners included:

Advice 4 Renters	Dudley Council	Peterborough Environment City Trust
Advice UK	End Fuel Poverty Coalition	Purbeck Citizens Advice
Age UK	Energy Savings Trust	Pure Planet
Agility Eco	Fair By Design Campaign	Scope
Alzheimer's Society	Financial Inclusion Commission	Severn Wye Energy Agency
Area Eco	Footprint Trust	Sefton Council
Association of Local Energy Officers	Fuel Bank Foundation	StepChange Debt Charity
Auriga	Fuel Poverty Action	Surviving Economic Abuse
Bartlett School of Environment Energy and Resources	Gentoo	Sustainability First
Bournemouth Borough Council	Gingerbread	Thirteen Group
Blackpool Care and Repair	Groundwork in the North	Toynbee Hall
Boiler Plan UK	Groundwork North	Turn2Us
Borthwick Heating	International Longevity Centre UK	Wales and West Utilities
Camden Federation of Private Tenants	Islington Council	Warm Wales
Child Poverty Action Group	UCL Institute of Sustainable Resources	Wessex Resolutions CIC
Children's Society	Macmillan Cancer Support	Sustainability First
Christians Against Poverty	Money and Mental Health Policy Institute	Thirteen Group
Citizens Advice Mid North Yorkshire	Money Advice Trust	Toynbee Hall
Community Energy England	MoneySavingExpert.com	Turn2Us
Community Energy Plus	National Energy Action	Wales and West Utilities
Connecting Communities in Berkshire	Newcastle City Council	Wessex Resolutions CIC
Exeter Community Energy	Orbit Housing	

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

[15] Loss of the £150 WHD and £100 price cap increase in April 2021, £150 price cap increase in October 2021.

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

[17] Based on an estimate of benefits totalling £1000 per household. This is thought to be a conservative estimate – in SY9, NEA helped 1,374 households claim £3.9m in benefits.

[18] Based on the value of cost/value ratio of energy efficiency measures in the ECO 3 Impact assessment of 3.39

[19] Based on AgilityEco's SY9 scheme reports to Ofgem which demonstrate that their advice services had a benefit/cost ratio of 3.45

[20] For debt assistance and financial assistance payments, we assumed the same equity weighted benefit per pound as the rebate

[21] Because of the relatively small amount of data on what these projects consist of, we conservatively estimate the value to be equal to the spend.

[22] Although referrals have clear value to householders, and are an important aspect of industry initiatives, for the purpose of this

[23] Figures may not add up due to rounding

[24] Committee on Fuel Poverty Fourth Annual Report, June 2020, pp13

[25] According to the Office of National Statistics, the median income between the financial year ending (FYE) 2019 (April 2018 to March 2019) and FYE 2020 (April 2019 to March 2020) was £29,900
https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyear2020

[26] The updated Fuel Poverty Strategy “Sustainable Warmth”, set a new fuel poverty metric. This metric deems a household to be fuel poor if: Their income is less than 60% of the median, and their home has an EPC of worse than C.

[27] https://www.nice.org.uk/guidance/ng6/chapter/What-is-this-guideline-about

[28] Using the WHD 2022-2026 impact assessment and the Fuel Poverty Statistics 2019

[29] Based on an estimate of benefits totalling £1000 per household. This is thought to be a conservative estimate – in SY9, NEA helped 1,374 households claim £3.9m in benefits.

[30] Based on the value of cost/value ratio of energy efficiency measures in the ECO 3 Impact assessment of 3.39

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[32] For debt assistance and financial assistance payments, we assumed the same equity weighted benefit per pound as the rebate

[33] Because of the relatively small amount of data on what these projects consist of, we conservatively estimate the value to be equal to the spend.

[34] Although referrals have clear value to householders, and are an important aspect of industry initiatives, for the purpose of this

[35] Figures may not add up due to rounding

[36] There are 3.176 million fuel poor households in England, as per the latest fuel poverty statistics for England. https://www.gov.uk/government/statistics/annual-fuel-poverty-statistics-report-2021

[37] There are 144,000 fuel poor households in Wales, as per the latest fuel poverty statistics for Wales. https://gov.wales/tackling-fuel-poverty-2021-2035-html#:~:text=%5B2%5D%20An%20estimated%20144%2C504%20households,11%25%20of%20households%20in%20Wales.&text=%5B6%5D%20Persistent%20poverty%20is%20defined,of%20the%20past%20three%20years.

[38] There are 619,00 fuel poor households in Scotland, as per the latest fuel poverty statistics for Scotland https://www.gov.scot/publications/scottish-house-condition-survey-2018-key-findings/pages/6/#:~:text=In%202018%2C%2025.0%25%20of%20households,extreme%20fuel%20poverty%20in%202018.

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

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

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

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

[43] As well as driving up awareness of the respective services and streamlining the application process for Fuel and Water Direct, the UK Government should consider promoting the benefits of the scheme to customers who are in debt to both utilities and adopting new mechanisms to accelerate the clearance of utility debt within the schemes. This can be achieved by matching the contribution customers make to paying off their debt from their benefits. This could be matched £1 for £1 by the Government for both energy and water debts albeit, these ratios could be adapted depending on the limitations of the budget for this area. As a minimum, matching debts £1 for £1 would help customers clear their debts in half the time[43] without creating significant administrative overheads for either the DWP’s Universal Credit Service Centre or utility providers.

As well as the positive impact addressing utility debt can have on individuals, reducing utility debt has significant benefits for both utility suppliers and the wider economy and breaking the debt cycle