

Warm Home Discount Extension 2021/22 – Energy Saving Trust response

Q1. Do you agree the size of the rebate should remain at £140 for 2021/22? If not, what size do you think the rebate should be, and why?

Yes, so as to, as the consultation suggests, increase the total number of recipients who can be assisted. We would also suggest that total expenditure for the WHD be increased this year to reflect the extraordinary circumstances we find ourselves in in terms of the interlocking public health and economic crises.

Analysis by both Ofgem¹ and Octopus Energy² has shown that the majority of consumers are using more energy than normal, with some of these increases being significant. Further analysis by the Energy and Climate Intelligence Unit³ shows that, were lockdowns to be continued or imposed on more areas during the winter months, families in cold, leaky homes would face heating bills elevated to £124 per month on average, compared with £76 per month for those in well-insulated homes. The Government should consider increasing the total support available as it appears likely that many more people will be struggling to adequately heat their homes this winter.

Future iterations of the WHD should look to increase the value of the rebate. The rebate value has not increased since 2014 when it was set at £140. Prior to this, the value of the rebate had increased each year. Given that the value of the rebate hasn't increased for 6 years its real value has fallen due to inflation, meaning that recipients are relatively worse off than they were when the scheme started in 2011. Had the value of the rebate been tacked to the Retail Prices Index from 2014/15 onwards it would now be worth £156.37⁴.

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

Yes.

However, in future consideration should be given to the possibility of expanding supplier obligations to Core Group customers to all licensed suppliers so that the most vulnerable are not allowed to fall through the cracks, cracks which have widened as the energy market has diversified and many more small suppliers now compete for customers. While

¹ https://www.ofgem.gov.uk/system/files/docs/2020/09/consumer_experiences_during_the_covid-19_lockdown_april_and_may_waves.pdf

² <https://octopus.energy/blog/domestic-energy-usage-patterns-during-social-distancing/>

³ <https://eciu.net/news-and-events/press-releases/2020/energy-bills-for-families-in-leakiest-homes-to-surge-during-winter-lockdown>

⁴ <https://www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator>

we can understand the desire to remove barriers to market access for smaller suppliers supporting vulnerable consumers should be seen as the 'price of entry' into the market.

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

Yes.

However, given that the market has changed so dramatically since the inception of the WHD – with the large suppliers' market share now falling to 73% from 99% – future iterations of the WHD should consider lowering the threshold at which suppliers are required to support the Broader Group of customers, perhaps bringing this in line with the existing 100,000 customer threshold for Core Group support.

In future consideration should be given as to which households and individuals comprise the Broader Group. As the consultation document makes clear, energy suppliers are relying heavily on Ofgem approval for expanded eligibility. Given that this process is not wholly transparent, and that the majority of vulnerable consumers will likely not compare the different updated eligibility requirements for each of the obligated suppliers a lottery arises where a consumer who is in need of assistance cannot receive the WHD rebate at one supplier but could at another. Analysis has been undertaken by Citizen's Advice Scotland into the Broader Group eligibility of 8 suppliers⁵ which found a significant number of criteria were applied across all suppliers, while in several instances only one or two suppliers would accept certain eligibility criteria (e.g. Child Benefit was only an eligibility criteria for EDF Energy). Further analysis across the cohort of obligated and voluntary suppliers should be undertaken to assess whether there are further commonalities across the different additional eligibility criteria approved by Ofgem for the different obligated parties. Consideration should then be given as to whether these criteria should be included as a default in the Broader Group in subsequent iterations of the WHD allowing for automatic payment of eligible consumers. Currently, around a third of eligible individuals do not receive the WHD⁶ – this is not a tenable situation and efforts should be undertaken to remedy it.

We recognise that given the short timeframe of the proposed extension (and the plans to consult further in 2021) now is not the appropriate time to overhaul the operation of the Broader Group. However, we feel that it is important that the operation of the Broader Group element of the WHD is improved. As a minimum, the timing and length of the Broader Group application period should be standardised across energy suppliers. Currently, applications are open at different times while some of the smaller obligated suppliers further restrict their scheme by only opening for a limited period of time, in one case a single week. We feel a more ambitious approach would see Broader Group delivery

⁵ https://www.cas.org.uk/system/files/publications/mind_the_fuel_poverty_gap_06.08.pdf, Figure 2

⁶ https://www.cas.org.uk/system/files/publications/mind_the_fuel_poverty_gap_06.08.pdf

brought more in-line with the Core Group by using data matching to make the majority of payments automatic whilst removing the 'first come, first served' self-application requirement. Other organisations working in this space have argued for similar improvements⁷.

We have identified further concerns as a result of our experience delivering the Home Energy Scotland programme on behalf of the Scottish Government (these issues are likely to be common across GB due to the scheme's universality). Due to the increasing number of obligated suppliers who do not engage directly with Home Energy Scotland, it is now more difficult to support householders to access the WHD than it has been in the past. In the past Home Energy Scotland could refer customers directly to all the big six suppliers, but only four are still able to take direct referrals with lack of staff resources to contact householders back being cited as the main reason for suspending referrals. The suppliers generally have indicated a preference for householders completing an online form, something which Home Energy Scotland advisors are unable to support due to data protection and which is likely to lead to inequality of access for customers.

Debt Write Off

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

No answer.

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

No answer.

Industry Initiative/Financial Assistance questions

Under the current scheme, the list of activities allowed under Industry Initiatives includes the provision of financial assistance, up to £140 per household, to be spent towards energy bills, including rebates, to households that are particularly at risk of fuel poverty, and may struggle to get support under other policies. In order to capture customers who would not otherwise be eligible for a rebate, recipients of financial assistance must not be eligible for the Core Group of Broader Group rebate. They must be wholly or mainly in fuel poverty and be:

•customers living in homes off the gas grid,

⁷ NEA and Fair By Design (2020): Keeping Britain Warm and Well

- customers living in a household with a person who has significant health problems or a disability,
- living in communities wholly or mainly in fuel poverty, or
- customers who are supplied with gas or electricity through a Pre-Payment Meter.

Within these groups, there is an encouragement to focus on households in emergency situations such as households in one of the risk groups described above who don't have sufficient credit, or where a heating system is broken and households are forced to use more expensive temporary heating. Financial Assistance was introduced with a £5 million spending cap, or 12.5% of overall Industry Initiative spending, to ensure that financial assistance spending did not dominate Industry Initiatives and allow for more innovative approaches to take place. Has consistently underspent, evidence suggests that the low level of uptake was due to the restrictions around providing financial assistance to customers who were also eligible for Core or Broader Group rebates. Energy suppliers and delivery partners have been unable to provide rebates to some customers in crisis, as the customer was unsure about whether they will be receiving a rebate in that scheme year.

In a COVID-19 context, we intend to facilitate the provision of emergency help, rather than restraining it, therefore we propose to enable the provision of financial assistance to the current list of fuel poor and vulnerable customer groups who also are eligible for the Core Group or the Broader Group rebate. Whilst we appreciate some customers may end up receiving two payments under the scheme, we are reassured that those customers will be in groups of particular need (i.e. it is not the intention of this policy to become a route for energy suppliers to provide rebates to their unsuccessful Broader Group applicants). We will also retain the £140 financial assistance cap. Therefore, the likelihood of a customer receiving double the rebate value is reduced due to the agile and customer-specific approach that most energy suppliers and delivery partners take to providing financial assistance. If a customer does receive the rebate amount twice, this would be equal to £280, which would still be £54 below the average fuel poverty gap.¹⁸Government is aware that the existing criterion including customers living in communities wholly or mainly in fuel poverty can help to provide an agile response to fuel poor customers who are not captured by the other categories listed above. However, we welcome views on whether this could lead to confusion for the customer, as they are unsure whether they are eligible, and could dilute the fuel poverty targeting of this Industry Initiative, as it is not customer specific. We are therefore seeking views on whether to keep this criterion and whether there are alternative criteria that could be used.

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

Yes, particularly given the current context of the pandemic, economic disruption, and likelihood of further lockdown measures over the winter period. It will be essential to provide emergency support to vulnerable households as effectively and quickly as possible with as few households as possible 'falling through the gaps'. This could be due to

being unsure of their eligibility for Core or Broader Group support or by turning down offers of emergency funding support for fear of making themselves ineligible for Core or Broader Group support later in the year. The proposal to allow financial assistance to be provided to all those who would qualify regardless of eligibility for Core or Broader Group support, even if this results in some individuals being paid twice, is a sensible response to the need for rapid support across the country. As the consultation document makes clear, the likelihood is that the majority of those paid twice will be among the most vulnerable and most in need, and that even after having been paid twice the average fuel poverty gap would still be £54.

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

No answer.

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

We feel that ideally eligibility and support would be decided based on an individual's or a household's specific circumstances. Whether such an approach could be easily and effectively deployed in the 1-year period this extension covers is unlikely. It would likely require energy advisors from the energy utility or partner organisation assessing whether an individual was in fuel poverty using one of the pre-defined measures of fuel poverty (the fact these differ across GB could prove to be a challenge). This would likely increase costs, timescales, and relies on customer self-reporting. The benefit of the community-wide approach is that can be rapidly deployed at low cost. Meanwhile, there are certainly pockets of severe deprivation nestled within otherwise affluent communities.

The WHD in general, and the Broader Group eligibility criteria in particular, are ineffective at targeting those in fuel poverty with it being likely that less than half of those in fuel poverty are benefitting from WHD payments⁸. When considering the future of the WHD it would be worthwhile to take lessons from the devolved administrations' fuel poverty support programmes which use, particularly in their area-based schemes, a range of data sources and home analytics to produce a more holistic picture of who is likely to be in fuel poverty and in need of assistance. Again, we recognise that in the short time frame encapsulated in this consultation this approach is not feasible it should be strongly considered in the future.

⁸ https://www.cas.org.uk/system/files/publications/mind_the_fuel_poverty_gap_06.08.pdf

Smart Metering Questions

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

Yes, we agree that advice about the benefits of smart meters should be provided, so far as is reasonably practicable, to every customer benefiting from an Industry Initiative. As the consultation notes there are a number of ways in which consumers who may be vulnerable or at risk of fuel poverty can benefit from having a smart meter, including that they provide (via the In-Home Display) near real time information about energy use in pounds and pence. Where consumers can see and understand how much energy they are using it can help them to manage that energy use which can result in lower bills. We also note that in the future having a smart meter will allow people to take advantage of advanced time of use tariffs where it will cost less to use energy at specific times or even be paid to use electricity. Such tariffs could play an important role in helping to reduce the energy costs of those who are vulnerable or at risk of fuel poverty. We also note that in Scotland smart meter data can now be integrated into the advice delivered by the Scottish Government's national advice service Home Energy Scotland (where a customer has a compatible smart meter and has provided consent for Energy Saving Trust to access their data) allowing those with a smart meter to benefit from more tailored and personalised advice about their energy use based on their actual energy consumption levels and patterns.

Consumer Protection for Heating Measures

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

Yes, because it is essential that the sector continues to increase in skill and the quality of its work. It seems likely that those installers responsible for WHD-related installations will also be bidding to work on ECO-funded and potentially Green Homes Grant and devolved nation-scheme jobs which require PAS2030:2019/PAS2035:2019 accreditation or similar. In any case, aligning the WHD with the installer expectations for ECO seems a sensible proposition.

We also agree that in the specific circumstances outlined for the installation of single boilers PAS certification may not be required and could lead to vulnerable households not receiving the help they need in an emergency situation. However, the emergency call-out should trigger a notification for a follow up visit in which a PAS certified professional can

advise on further measures and assess the household's situation and needs. If this isn't included as a follow up to emergency measures an important opportunity will have been missed to positively engage with a potentially vulnerable household.

We agree that requiring the installers of minor measures such as draught-proofing and efficient lighting to be PAS2030:2019/PAS2035:2019 certified is unnecessary and could lead to these measures not being installed.

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

As above. We agree that the installation of boilers in high risk properties should necessitate PAS certification and, likewise, the installation of a central heating system is sufficiently complex to also necessitate PAS accreditation.

The requirement for PAS2035:2019 to always be applied alongside PAS2030:2019 even in the case of a single boiler being installed could prove confusing for consumers who may wonder why they are being walked through a 'whole house approach' when only one measure is being installed by, or on behalf of, their energy supplier. It will be crucial to make clear that any additional or subsequent measures identified by the PAS process and installed through ECO (or similar) are not double counted and that the consumer is made aware of the different funding sources and reasons behind this situation.

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

Yes, provided that the pilot project underway with TrustMark and ECO is successful and can be easily applied to the WHD in the timeframe provided by this extension.

Energy Supplier participation thresholds

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

Yes, for the reasons given within the consultation document any alteration of the participation threshold within this short time frame would be detrimental to smaller suppliers and ultimately to vulnerable consumers reliant on the WHD next winter.

However, we would refer you to our responses to questions 1 and 2 in regards to further iterations of the WHD and our thoughts on future thresholds.

15.Can you provide evidence of the administrative costs of delivering the Warm Home Discount rebate and the Industry Initiatives scheme? We have provided a template for this

No answer.

Supplier of Last Resort

When an energy supplier fails it is not mandatory for the Supplier of Last Resort to honour the WHDs of the failed company – previously suppliers have volunteered to honour them but there is no requirement to. The Government are not proposing to make it mandatory. In order for the rebates paid by the SoLR to count as Core Group rebates (against their own obligations), the Secretary of State for BEIS (or DWP on his behalf) will have to issue a new instruction to pay the rebate to that energy supplier. Once the instructions to pay are issued, they will create a legal obligation on the SoLR to pay the Core Group rebate to that customer in line with the current rules of the scheme, and the rebate will be counted in the reconciliation process.

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

Yes, we wholeheartedly agree with this proposal.

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

Yes, we agree with this proposal for additional non-core overspend.

Operational Changes

Currently there are three reconciliations during the course of a scheme year. These reconciliations, which are operated by Ofgem, allow energy suppliers to rebalance their cash-flows and ensure spending is distributed proportionately to their market share. The first, and larger, reconciliation is typically carried out in December, based on the customer volumes identified as a result of DWP's data matching with energy suppliers. The second,

following the Helpline closure, is carried out in April/May and it covers the number of rebates claimed through the helpline. The third one, carried out in October/November, balances the remaining spending based on end of year reporting. In order to reduce the administrative burden on both energy suppliers and Ofgem, we propose to reduce the number of reconciliations during a scheme year by removing the second reconciliation, as rebates issued to customers who claim through the Helpline are a small proportion of the total (currently this is around 4% of the Core Group rebates). We recognise this may have cash-flow impacts, especially for smaller energy suppliers. However these impacts may be counter-balanced by the reduced burdens.

18. Do you agree with removing the second reconciliation?

No answer.

19. Do you agree with the proposal to carry forward voluntary and compulsory smaller energy suppliers' undelivered rebates and add the value of these rebates to their non-core obligation for the scheme year when they become fully obligated? Please provide reasons for your answer.

Yes, this is sensible proposition and would ensure that existing fully obligated suppliers are not disadvantaged in comparison to newly fully obligated suppliers in their first year.

Devolution

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

There would clearly be additional administrative costs of suppliers were obligated to provide support across GB where eligibility criteria could differ. The arguments for tailoring the WHD to better tackle fuel poverty and reflect the different contexts present across GB (e.g. differences in housing and tenure type, progress made in addressing fuel poverty etc.) are strong and efforts should be made to achieve this in a cost-effective way. Without being supplied with a greater degree of detail it is hard to say how any impacts could be mitigated. As always, a well-considered scheme with early and thorough consultation with a range of stakeholders will help to identify potential issues and pitfalls and plan accordingly.

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

No answer.