

Energy Saving Trust response to the Department for Business, Energy and Industrial Strategy consultation ‘Warm Homes Discount: better targeted support from 2022’

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/999412/warm-home-discount-reform.pdf

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, we welcome the decision to improve data matching and increase the proportion of WHD recipients able to receive rebates automatically. This should reduce the administrative burden on energy suppliers, allowing smaller suppliers to participate, while also reducing the burden on vulnerable households and helping to target the most vulnerable.

We called for a similar approach in our response to the one-year extension consultation along with other stakeholders¹ drawing particularly on analysis undertaken by Citizen’s Advice Scotland into the Broader Group eligibility of 8 suppliers² 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). Under the existing scheme around a third of eligible individuals do not receive the WHD³ which means the scheme is not as effective as it could be, and so it is welcome to see the proposals set out in this consultation to make more payments automatic.

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

¹ NEA and Fair By Design (2020): Keeping Britain Warm and Well

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

³ https://www.cas.org.uk/system/files/publications/mind_the_fuel_poverty_gap_06.08.pdf

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households receiving the rebate from 47% under the Broader Group to 59% under the Core Group 2?

Yes, it is welcome that the majority of the allocation will become automatic, that a greater proportion of those supported will be in fuel poverty and that there is a greater focus on owner occupiers and the private rental sector. However, in our view this methodology should be kept under review as we think there are areas which could be strengthened.

While we understand the rationale for using DWP data on benefits and Tax Credit claimants to identify those on low incomes, recent analysis in Wales indicates that the majority of fuel poor households claim no means tested benefits, potentially leaving a significant gap in support. Efforts should be made to identify low income households who for whatever reason are not claiming benefits but are experiencing fuel poverty. When engaging with their customers suppliers could be encouraged to ask basic filtering questions which could indicate households that are fuel poor or at risk of being fuel poor (e.g., whether they are worried about paying to heat their homes to a comfortable level). It may be useful to undertake research into how these self-reported instances of fuel poverty tally against formal fuel poverty statistics.

Likewise, while we understand that the lack of robust national data concerning levels of insulation, fuel type, and heating systems makes considering these criteria a challenge we think that moving towards capturing and using this data over the course of the programme should be a priority. By 2026 many thousands of homes will have had to improve their energy efficiency and fit low carbon heating systems with government support. The continuing effectiveness of the WHD will require capturing which homes have been retrofitted, and so the ability to use this data for better targeting should be kept under review.

As far as possible distributional impacts should be accounted for. The consultation document refers to the likelihood that some fuel poor households will no longer be eligible but that they will be replaced by households in deeper fuel poverty. If this is the case, efforts should be made to limit the number of fuel poor households who can no longer be supported through Core Group 2. The Industry Initiatives element of the scheme, as well as referrals to ECO, devolved nation and regional support programmes should seek to support these households with a collaborative approach taken to capture as many households as possible.

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

Yes

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

Yes. We think that this process offers a good opportunity to support vulnerable consumers with one-to-one advice over the phone. The helpline should be used to signpost consumers to further specialist energy support from Citizens Advice, Home Energy Scotland (<https://www.homeenergyscotland.org/about-us/>) or NEST (<https://nest.gov.wales/en/>) in Wales.

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

Yes, although we feel that this process could offer opportunities to support vulnerable consumers further. Regarding the proposed online eligibility checker, we think that the merits of this approach should be considered closely, this may reduce costs for those consumers who can self serve and free up more resource for those who cannot. Importantly, some of the most vulnerable may also be digitally excluded. We don't want to establish barriers to vulnerable consumers accessing support through the helpline and it is important that those who need to access the helpline can do so when they need to. For these reasons we feel that robust trials and good design of the proposed web tools will be essential. We discussed in our response to question 8 that support for consumers could be strengthened by administering energy advice and signposting to further support, whether through Industry Initiatives, national and local government (e.g., Home Energy Scotland and NEST in Wales who both offer advice and fun retrofit work for fuel poor households to improve their energy efficiency and lower their fuel costs) or the third sector.

Regarding EPCs as an alternative evidence source, we support this as a viable alternative but suggest that the government considers meeting the cost of having an EPC assessment for vulnerable consumers if one has not been completed on a property. The likelihood is that a consumer being asked to provide alternative evidence

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as part of the WHD will find meeting the cost of an EPC assessment onerous. Regardless of whether the assessment ultimately results in the household being eligible for WHD assistance the government should be aiming to have as many homes as possible with a valid EPC. The consultation document suggests that only 50-60% of households have a valid EPC, this share must be increased given the retrofit challenge and the reliance on EPCs in determining policy.

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

Yes, we welcome the significant increase in overall funding for the Warm Homes Discount.

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

Yes, as the consultation document points out, the Industry Initiative element of the WHD has proven beneficial. It remains the only portion of the scheme which allows suppliers to improve the energy efficiency of customer’s homes and so proactively reduce the need for rebates in the future while helping to decarbonise the housing stock. This should be supported. More broadly the programmes operating under the Industry Initiative portion of the WHD have shown considerable innovation and mandating spending in these areas should work to drive this further.

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?

Yes, we recognise the need for a mechanism to absorb over or underspend within the overall programme and understand the rationale for allowing Industry Initiatives to fulfil this role. We think however that the cap for moving funds out of Industry Initiatives to cover overspend in Core Group 1 or Core Group 2 should be less than the proposed 25% of the target spend given the untapped potential of the Industry Initiatives element of

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the WHD, particularly now that it will be mandatory. Given that this is the only part of the scheme that funds energy efficiency measures which help to address one of the root causes of fuel poverty while improving the housing stock and reducing emissions it is our view that Industry Initiatives should be given a prominent role and its total funding year-to-year safeguarded as much as possible.

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.

While we welcome the increase to the value of the rebate, given that it has not increased since 2014 when it was set at £140, we believe there should be flexibility to increase the value of the rebate if needed.

The current 16-year high gas prices on UK markets and recent increase to the Ofgem price cap illustrate that it would be sensible to allow for a degree of flexibility in the size of the rebate across the length of the scheme with the value kept under review annually. It is hard to predict with any certainty what the cost of energy bills will be in 2025/26, particularly as the balance of levies across fuel types may change in the intervening years.

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

Yes.

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?

Yes, though it is our view that if vulnerable consumers require more support this should be made available either through signposting to other services or by using other eligible Industry Initiatives measures such as debt write-off or energy efficiency measures. For many vulnerable consumers this will be necessary as a £150 payment will not by itself address the average fuel poverty gap (£334 in England

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(https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/882404/annual-fuel-poverty-statistics-report-2020-2018-data.pdf) and £431 in Wales (<https://gov.wales/sites/default/files/statistics-and-research/2019-12/fuel-poverty-estimates-wales-2018.pdf>) in 2018) or the modelled shortfall in Prepayment Meter spending by fuel poor customers to achieve a sufficient heating regime highlighted in the consultation document. We think it is right that the value of the financial assistance be increased to £150 in line with the proposed value of the rebate.

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. Supporting consumers during emergency situations is vital, however we think more focus can be put on using this as an opportunity to move consumers to low carbon heat where this is a viable option. We also recognise the desire to not see this element of the scheme take up a disproportionate amount of the Industry Initiatives when there are other important emergency elements of the programme (and ECO may be able to support these customers). But we must use every lever at our disposal to move away from fossil fuel heating, employing a worst first principle, for this reason we think that it will be critical to keep this decision under annual review with the aim being to reduce the number of households who will be eligible for a new gas boiler, with these households supported to install new low carbon alternatives instead as soon as this is viable.

It will be crucial to support consumers who have had new heating systems installed to understand and use their new system optimally. The Behaviour Change Pilot (energysavingtrust.org.uk/sites/default/files/reports/SEEP - Advice Information - Behaviour change pilot - FINAL_06Jul16.pdf) managed by Energy Saving Trust on behalf of the Scottish Government showed that as many as 30% of households found that their properties became too warm following the installation of energy efficiency measures because they continued to use their heating systems as they had done before the measures were installed. Ensuring that households understand how to operate their heating systems effectively will ensure that the environmental, comfort and fuel bill savings of the physical measures are maximised. Evidence from the second phase of this pilot showed that such advice is welcomed as part of an energy efficiency upgrade

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to the property and that it can be easily integrated alongside other advice provision which must also be a priority.

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. We think that this is a timely and appropriate response to the continuing diversification of the energy supply market and the need to expand the support available to customers outside of the existing Core Group. In our previous response to the one year extension to the WHD we highlighted the need to reduce or remove the threshold so that the most vulnerable are not able to fall through the cracks, cracks which have widened as the energy market has diversified and many more small suppliers now compete for customers.

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

Yes, the changing nature of the energy supply environment whereby increasing numbers of customers are not supplied by the major suppliers means that it is right to reduce the threshold at which suppliers are mandated to participate in the WHD. The phasing in of reduced thresholds over the next two years should give suppliers time to prepare for the proposed changes. Likewise, the proposal to make the identification of Core Group 1 and 2 largely automatic should reduce the administrative burden on smaller suppliers though support should be available to these smaller suppliers to assist them in preparing for and delivering these new obligations. We think it should be possible for smaller suppliers to aggregate their efforts or to fund third-party organisations to deliver support for vulnerable consumers through Industry Initiatives.

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.

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It is our view that the SoLR arrangements should be changed to make it mandatory for an SoLR to take on the WHD obligations of a failing supplier provided there is adequate support from Ofgem to make this possible. We recognise and support the fact that SoLRs have always voluntarily taken on the WHD obligations of failed suppliers with this being considered by Ofgem as part of the process but believe that support for the vulnerable groups targeted through the WHD is too critical to be left as a voluntary arrangement. Many Core Group 1 and proposed Core Group 2 households rely on the WHD rebate to heat their homes through winter.

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

Yes.

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