



Department for
Business, Energy
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Rt Hon Caroline Flint
Chair, Committee on Fuel Poverty

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Email: cfp@beis.gov.uk

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Dear Caroline,

Thank you for your letter, and sight of the letter to the Prime Minister, regarding support for those in fuel poverty. I would also like to thank you and Committee Members for your continued work to highlight the situation faced by households across the country, particularly those most vulnerable. On behalf of both BEIS and the Prime Minister, I would like to address the points you have raised.

We recognise the difficulty many households are experiencing and the concern around energy affordability and the wider cost of living pressures. As the Committee are aware, significant support has been announced this year in response to high energy prices. This is in addition to existing support in place through financial and energy efficiency schemes. I hope to address the points you have raised and reassure you regarding the approach we are taking to protect households, particularly low income, vulnerable and fuel poor households, in light of high energy prices and longer-term strategy.

The rise in energy prices, together with other household bills, has further highlighted the importance of targeted support to low income, vulnerable and fuel poor households.

The Warm Home Discount has been reformed to improve fuel poverty targeting, focusing the support to households on the lowest incomes and living in properties with the highest energy costs. Through improved data matching, the majority of eligible households will now receive their rebates automatically.

The Government is providing targeted financial support this year (2022/23) through the wider Cost Of Living Support package. In the Autumn Statement, the Government has announced further Cost of Living Payments for 2023/24 of up to £900 for people on an eligible low-income benefit, £300 for pensioner households and £150 for people on an eligible disability benefit.

The Chancellor also set out that the Government will work with key partners like the Committee, consumer groups and industry to consider the best approach to consumer protection, in energy markets from April 2024. We will consider all relevant evidence in developing our approach.

Given the impact of high energy bills on households across the UK, non-targeted support this winter is also crucial. Wider support is available through the Energy Price Guarantee, which limits the amount suppliers can charge per unit of energy used, and the Energy Bills Support Scheme.

There are extensive Ofgem rules in place related to customers in payment difficulty. Under these rules energy suppliers are obligated to provide appropriate support for those struggling to pay their bills including taking all reasonable steps to ascertain a customer's ability to pay. Suppliers must take a customer's ability to pay into account when establishing any repayment plans and Ofgem has rules in place that restrict the force-fitting of a prepayment meter on customers who are in debt, except as a last resort.

Further, there are extensive regulatory protections in place to support prepayment meter customers. These protections include rules that require suppliers to ensure prepayment meters are only installed if it is 'safe and reasonably practicable' to do so, which includes the consideration of whether a consumer's vulnerability makes a prepayment meter a poor choice. Ofgem have recently published a regulatory expectations letter where they set out their expectation that suppliers ensure prepayment meters are safe and reasonably practicable in every case and act quickly to change the meter to non-prepayment where necessary.

Ofgem rules also require energy suppliers to take all reasonable steps to identify prepayment meter customers who are self-disconnecting and provide appropriate support. Suppliers are required to provide emergency and friendly hours credit to all prepayment meter customers and where a supplier identifies that a customer who is in a vulnerable situation has or is self-disconnecting then they must offer them Additional Support credit where it is in the customers best interests to do so.

Ofgem have recently undertaken a Market Compliance Review assessing how suppliers support customers in vulnerable situations, including those on prepayment meters. To drive improvements, Ofgem have started compliance engagement with suppliers and asked them to take action to address the weaknesses that have been identified. We expect suppliers to fully comply with their obligations and welcome the steps Ofgem is taking.

I have made it clear that I would protect consumers, especially those on a low-income and who are vulnerable, to ensure they are treated fairly. I recently wrote to energy suppliers and Ofgem asking them to do more to ensure that customers direct debits are being set at appropriate levels. Following reports that some traditional prepayment meter customers have not received their PPM vouchers under the Energy Bills Support Scheme, earlier this month I wrote to energy supplier CEOs asking them to make significant improvements to ensure their customers are receiving the vouchers, understand how to redeem them, and receive prompt service and accurate information if they contact a supplier call centre. The Government communications are also helping communicate to PPM customers. Rt Hon Graham Stuart MP, followed up this letter with a meeting with the energy supplier CEOs to reinforce this message. We remain fully focused on ensuring all customers receive this discount this winter and we are extending the support to those not covered by the main scheme, and to customers in Northern Ireland.

As you are aware, we have the statutory fuel poverty target, to ensure as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency rating of Band C by 2030. As you rightly state in your letter, to achieve this target, investment in energy efficiency is essential. Improving the energy efficiency of homes contributes to the long-term reduction of energy bills as well as reduced carbon emissions in line with net zero.

The Government remains committed to delivering energy efficiency measures and has demonstrated this through investment in a range of schemes including targeted schemes such as the Home Upgrade Grant, the Social Housing Decarbonisation Fund and the Local Authority Delivery Scheme.

These schemes are in addition to the Energy Company Obligation, with the current iteration (ECO4) receiving £4 billion to accelerate efforts to improve the energy efficiency and heating measures to low-income and vulnerable households and runs from 2022-2026. This is targeted to ensure support reaches those in the least efficient housing.

The ECO+ scheme was recently announced which will help hundreds of thousands of households to reduce their energy bills through the installation of energy efficiency measures, delivering an average household saving of around £310 per year. As you know, energy efficiency measures are vital in order to reduce consumers bills. With the significant increase in energy bills for all consumers, it was important to extend help to a wider customer base who are not currently eligible for support under existing Government-backed energy efficiency schemes. However, at least 20% of support through the scheme will go to low-income households. The proposed overall value of ECO+ was informed by discussions with the sector on supply chain capacity to scale up over three years, as an addition to existing schemes.

You will know that the consultation on the Energy Company Obligation closes on the 23 December. I look forward to receiving your views, and further engagement on the issues raised.

I appreciate the engagement that is ongoing with officials in the department, including concerning the fuel poverty statistics. The current fuel poverty metric enables government to track the delivery of energy efficiency measures to low-income households in line with our statutory fuel poverty target. It is also important in supporting those least able to heat their homes, in line with our worst first principle.

Engagement on statistics and targeting will continue to enable you to advocate for those in need and advise the Government as we deliver on our target to address fuel poverty.

The Government is committed to supporting low income, vulnerable and fuel poor households, particularly during this period of high energy prices and I am grateful for your sustained focus on this vital issue.

I hope you will find this reply helpful.

Yours ever,

A handwritten signature in blue ink, appearing to read 'Grant Shapps'.

RT HON GRANT SHAPPS MP
Secretary of State for Business, Energy & Industrial Strategy