



Department for
Business, Energy
& Industrial Strategy

CONSULTATION ON THE FUEL POVERTY STRATEGY FOR ENGLAND

Closing date: 16 September 2019

July 2019



OGL

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Ministerial Foreword



Everyone should be protected against the cold in their own home. Living in a cold home can have a negative impact on health and wellbeing. Fuel poverty can also mean that people are forced into difficult decisions about whether to prioritise heating or other essential goods and services.

The best long-term solution to addressing fuel poverty is to improve household energy efficiency. That is why we have set the fuel poverty target for England, and committed in our manifesto, to improve the energy efficiency of as many fuel poor households as we can. Transforming the energy performance of homes will also make an important contribution to decarbonising homes on the path to net zero by 2050 and support thousands of jobs in clean growth as part of our Industrial Strategy.

Good progress has been made to improve the energy performance of fuel poor homes. Our reform of the Energy Company Obligation has increased support for energy efficiency for low income and vulnerable households from £310 million per year in 2015, to £450 million in 2017 and to £640 million per year from 2018. It is now entirely focussed on low income and vulnerable households. The Minimum Energy Efficiency Standards for landlords, which we introduced in April 2018, focus on the least energy-efficient private rental properties – those rated F or G. Around 40% of these households are living in fuel poverty. The regulations set a minimum standard of Band E and recognise landlords have an important role in ensuring the properties they rent out are at an acceptable standard.

We have also acted to protect 11 million households from unjustified price rises with our energy price cap helping many in fuel poverty and as a result, the fuel poverty gap is falling. We have increased choice in the market and made it easier to switch tariffs and provider, as well as helping two million low income households get money off their winter energy bills through the Warm Home Discount.

Steady progress is being made, but much more needs to be done to meet the fuel poverty target and end the blight of cold homes. This consultation includes proposals to consider the needs of the most vulnerable, to make fuel poverty policies as sustainable as possible, and to measure fuel poverty in a way that will better measure progress towards our target. Most importantly, we look forward to hearing ideas on action to ensure that nobody has to live in a cold home.

A handwritten signature in black ink that reads "Chris Skidmore". The signature is written in a cursive style and is underlined with a single horizontal line.

Chris Skidmore MP

Interim Minister of State for Energy and Clean Growth

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General information

Consultation details

Issued: 22 July 2019

Respond by: 16 September 2019

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Consultation reference: Consultation on the Fuel Poverty Strategy for England

Audiences:

Local authorities or associations of local authorities; the Gas and Electricity Markets Authority; and anyone affected by or concerned about fuel poverty in England, or representing the interests of persons living in fuel poverty.

Territorial extent:

England only.

How to respond

Respond online at: <https://beisgovuk.citizenspace.com/home-local-energy/fuel-poverty-strategy-for-england/>

or

Email to: fuelpoverty@beis.gov.uk

Write to:

Fuel Poverty Strategy Team
Department for Business, Energy and Industrial Strategy
2nd Floor, Orchard 3
1 Victoria Street
London
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A response form is available on the GOV.UK consultation page:

<https://www.gov.uk/government/consultations/fuel-poverty-strategy-for-england>

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on [GOV.UK](#). The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

Quality assurance

This consultation has been carried out in accordance with the government's [consultation principles](#).

If you have any complaints about the way this consultation has been conducted, please email: beis.bru@beis.gov.uk.

Introduction

Fuel poverty is defined in the Warm Homes and Energy Conservation Act 2000 as “a person [who] is a member of a household living on a lower income in a home which cannot be kept warm at reasonable cost.” In 2014, the Government introduced in legislation a fuel poverty target for England to improve as many fuel poor homes as is reasonably practicable to a minimum energy efficiency rating of Band C¹, by the end of 2030.

The 2015 fuel poverty strategy, “Cutting the Cost of Keeping Warm,” set out Government’s plan to meet this target for England. Fuel poverty is a devolved issue, so devolved administrations have responsibility for their own fuel poverty strategies. The strategy was always intended to be a living document. The 2015 strategy stated: *‘Government will review the fuel poverty strategy regularly, for example every three years. The aim of these reviews will be to look at the overall strategy in light of any developments, and decide whether any changes in the overall policy mix are required.’*

It is now four years since that strategy was released and Government is consulting on proposals to update the fuel poverty strategy for England. This will capture significant developments such as the Industrial Strategy and the Clean Growth Strategy, which committed to continuing to drive investment in household energy efficiency at the same level as the current Energy Company Obligation until 2028 and looking to develop a long term trajectory for improving the energy performance standards of private rented homes, with the aim of upgrading as many as possible to EPC Band C by 2030 where practical, cost-effective and affordable, as well as consulting on how social housing can meet similar standards over this period.

This document has two aims:

- To publish an assessment of the Government’s implementation of its 2015 fuel poverty strategy so far, and
- To seek views on proposals to update the fuel poverty strategy.

This consultation follows the structure of the 2015 fuel poverty strategy. It sets out Government proposals and asks for input and evidence for further development. The consultation will run for eight weeks and following an analysis of responses, the Government plans to issue its response to the consultation and publish an updated fuel poverty strategy later in 2019.

Review of the past four years

Since the 2015 strategy was published there have been developments in the key fuel poverty policies:

- **Energy Company Obligation (ECO):** ECO is an obligation on larger energy suppliers to deliver energy efficiency measures in England, Scotland and Wales. Since ECO was introduced in 2013, it has improved approximately two million homes. In 2015, around

¹ As measured by the Fuel poverty Energy Efficiency Rating (FPEER) system. FPEER is a measure of the energy efficiency of a property based on the Standard Assessment Procedure (SAP) but accounts for policies that directly affect the cost of energy.

30% of the scheme was focused on 'Affordable Warmth' for low income households. In 2017, this was increased to 70% Affordable Warmth. The new scheme, which launched in late 2018 and runs to March 2022, is entirely focused on low income and vulnerable households.

- **Warm Home Discount (WHD):** The WHD has been extended until at least 2021, providing over two million low income and vulnerable consumers in Great Britain with a £140 rebate off their energy bill each winter.
- **Private Rented Sector Regulations:** The Minimum Energy Efficiency Standards for landlords are designed to tackle the least energy-efficient private rental properties in England and Wales – those rated F or G. Around 40% of these households are living in fuel poverty. These regulations establish a minimum standard of EPC band E for both domestic and non-domestic private rented property, affecting new tenancies and renewals. Landlords are expected to ensure properties achieve a minimum standard of Band E, subject to a cost cap of £3,500 including VAT per property.

The 2017 Clean Growth Strategy committed that there would be at least £640 million of annual support for home energy efficiency from 2018 to 2028 and that government would consult on minimum standards for rental properties to improve as many of these homes as possible to an energy efficiency rating of Band C by 2030.

Proposals to update the fuel poverty strategy

In this consultation document we set out several proposals to update the 2015 fuel poverty strategy. Full details are set out in this document, but key proposals include:

- **Metric:** Update the way in which fuel poverty is measured to better track progress against the statutory fuel poverty target. The proposal is to broaden the measure to capture all low income households living in inefficient homes. The rationale is to reduce the apparent churn in and out of fuel poverty, caused by the current relative 'Low Income High Costs' measure, so that as action is taken to improve homes to an energy efficiency rating of Band C the number of households in fuel poverty can reduce over time, and it is clear whether the action we are taking is having sufficient impact.
- **Target and Milestones:** Retain the statutory fuel poverty target to ensure as many fuel poor households as is reasonably practicable are improved to a minimum energy efficiency rating of Band C by the end of 2030 and the supporting interim milestones of as many fuel poor homes as reasonably practicable to Band E by 2020 and Band D by 2025.
- **Vulnerability:** Government proposes to refine this principle by clarifying that we will consider the impact of our policies on the health and wellbeing of people on very low incomes, even when they live in a reasonably energy efficient home. People may be vulnerable to the effects of living in a cold home if they are of a certain age or living with certain health conditions. Those who are low income, vulnerable and living in an inefficient home should be a priority for support. To meet the fuel poverty target, low income vulnerable households that are living in A-C rated homes will not require additional energy efficiency improvements. However, we should consider the needs of such households in particular circumstances where they may be at risk of serious health impacts, such as if their boiler breaks and they are unable to repair it.

- **Sustainability principle:** A new principle which would ensure that policies contributing to the fuel poverty target are complementary to other Government priorities such as the Clean Growth Strategy and the Industrial Strategy. For example, it would be short sighted to allow fuel poverty policies to continue to deliver oil boilers as this would be contradictory to commitments to decarbonise heat in the 2020s.
- **Policy plan:** Streamline the chapter on ‘The strategic approach in action – how this Government is meeting the challenge’ with the chapter on ‘The strategic approach in the future’ into a policy plan to set out the actions required going forward to overcome the eight challenges identified in the 2015 strategy. In this consultation we ask for views on what more needs to be done to improve the lives of fuel poor households.

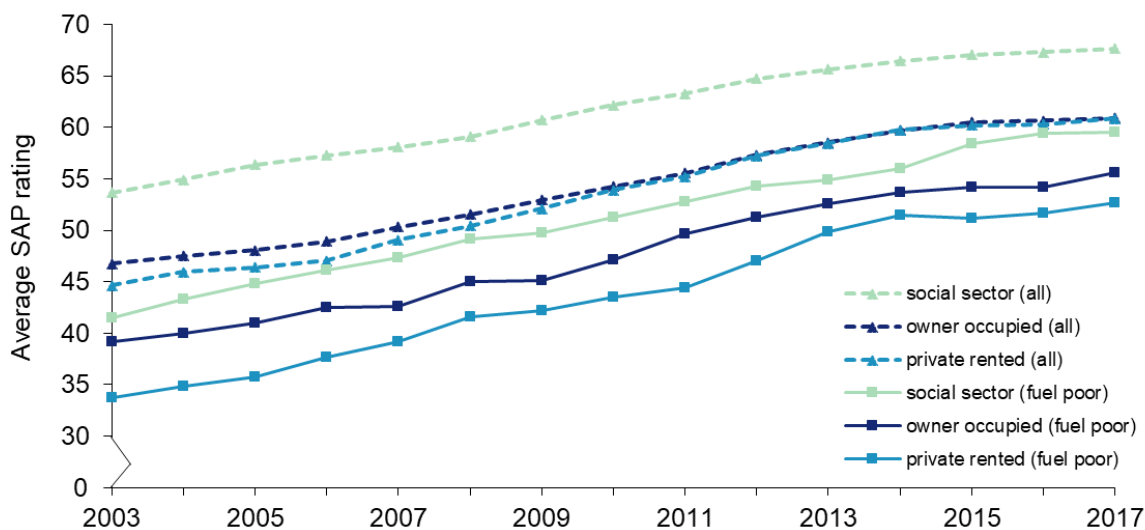
Evaluation of the 2015 strategy

The 2015 strategy, ‘Cutting the Cost of Keeping Warm: A fuel poverty strategy for England’, set a plan for meeting the fuel poverty target for England. This chapter evaluates Government’s implementation of the 2015 fuel poverty strategy by reviewing the fuel poverty statistics and the policies implemented since 2015.

Progress towards fuel poverty target and milestones

The average energy efficiency rating for fuel poor households is much lower than the average energy efficiency rating for all households, as measured using the Standard Assessment Procedure (SAP). However, energy efficiency ratings for fuel poor households have improved more quickly than energy efficiency for all households across all tenure types. For example, between 2003 and 2017, the annual average increase in SAP rating for fuel poor social sector households is 1.3 times the average increase for all social households.

Figure 1: Average SAP rating by tenure, fuel poor and all households, 2003-2017²



² Note the 2006 social sector figure is an average of the 2005 and 2007 figure due to the sample design in 2006.

The annual fuel poverty statistics capture progress made towards the fuel poverty target to improve as many fuel poor homes as is reasonably practicable to a minimum energy efficiency rating of Band C by the end of 2030 and the interim milestones of Band E by 2020 and Band D by 2025. The energy efficiency ratings are determined by the Fuel Poverty Energy Efficiency Rating Methodology (dated 17th July 2014).

The fuel poverty statistics published on 13 June 2019 (below) include the official statistics for 2017 and projections for 2018 and 2019.

Table 1: Progress against the fuel poverty target, 2010-2019

Proportion of fuel poor households	2010	2011	2012	2013	2014	2015	2016	2017	2018 (projected)	2019 (projected)
Band E or above	81.1	84.8	87.5	89.4	90.3	90.4	91.3	92.2	92	92
Band D or above	32.7	38.5	46.7	54.3	62.9	67.0	65.9	65.9	68	68
Band C or above	1.5	2.7	4.6	5.2	7.1	7.4	7.7	10	11	12

The statistics show that, in 2017, 92.2% of fuel poor households were rated Band E or above and it is estimated that 92% of fuel poor homes are at that standard in 2019. In practice it is likely not possible to reduce the number of fuel poor homes living in F or G rated homes to zero. Households are under no obligation to accept energy efficiency improvements. The relative measure of fuel poverty also means that, as progress is made, households living in F or G rated homes that are not currently captured by our Low Income High Costs metric could be captured by it in the future if they become relatively worse off compared to the rest of England. It is important for Government to consider how best to ensure sufficient support for improving the energy efficiency rating of as many F and G rated fuel poor homes as is reasonably practicable.

Good progress has been made to improve the energy efficiency rating of fuel poor households to a Band E with the proportion of households rated D or above doubling from 32.7% in 2010 to 65.9% in 2017. Between 2016 and 2017 the proportion of households rated D or better showed little change. In addition, the proportion of fuel poor households Band C or above increased by 2.3 percentage points between 2016 and 2017 and is projected to increase to 12% in 2019.

The decline in fuel poor households living in Band D or above homes does not mean the housing stock is getting worse. Rather, the households who are captured by our Low Income High Costs metric change every year depending on their incomes and fuel costs, as explained on page 16 Fuel poor households in Band C and D are more likely to churn in and out of fuel poverty than households living in Band E, F and G properties, so it can be challenging to show progress towards the fuel poverty milestones and target. Government has put forward a

proposal in this consultation to address this measurement challenge, and is considering additional policy options to continue to improve the energy efficiency of fuel poor households.

The 2015 Fuel Poverty Strategy introduced a 'scorecard' of supplementary indicators which track progress of fuel poverty policies in England. The updated scorecard is included as Annex A.

Overcoming the key challenges set out in the fuel poverty strategy

The 2015 fuel poverty strategy outlines eight key challenges that need to be overcome to meet the vision of cutting bills and increasing comfort and well-being in the coldest low income homes and achieving the statutory fuel poverty target. This section evaluates progress between 2015 and 2019 in respect of each challenge.

Improving energy efficiency standards in fuel poor homes

Since 2015, a key success has been the extension and reform of the Energy Company Obligation (ECO). The Affordable Warmth component of ECO, which focuses support on low income and vulnerable households, has increased from £310m in 2015, to £450m in 2017, to £640m per year in the current iteration which runs from 2018 to 2022. The energy efficiency of fuel poor homes is improving, with a particularly large reduction in the number of fuel poor homes rated E, F or G. The 2017 Clean Growth Strategy set out an ambitious plan for homes, including introducing Minimum Energy Efficiency Standards for an increasing number of private landlords and an extension of funding for energy efficiency to 2028. However, additional action is needed as we progress towards the 2030 target.

Working together to help the fuel poor through partnership and learning

Identifying the partners most appropriate to enable delivery to different segments of the fuel poor population was explicitly considered as part of the design of the 'ECO: Help to Heat' policy. As a result, Flexible Eligibility³ was introduced in 2017, enabling local authorities, working alongside charities and the health sector, to identify households in need of support for the purposes of delivering ECO measures. In addition, toolkits on health evaluation, health referrals and fuel poverty developed in collaboration with partners have been published to share learning and good practice⁴.

Increasing effective targeting of fuel poor households

The Digital Economy Act 2017 gives Government greater power to target fuel poor households. Government is undertaking preparatory work to establish how different data sets could be used to improve targeting of the Warm Home Discount, should it be reformed. Tools to better target and identify fuel poor homes within the ECO eligible group are being developed, but are not yet established.

³ <https://www.gov.uk/government/publications/energy-company-obligation-eco-help-to-heat-scheme-flexible-eligibility>

⁴ <http://www.instituteofhealthequity.org/resources-reports/cold-homes-and-health-referral-toolkits-to-tackle-fuel-poverty-across-england>

Enhancing and improving understanding of fuel poverty

Government remains committed to improving the understanding of fuel poverty locally and abroad. To this end, the UK has been actively collaborating with EU Member States on policy development to meet the requirements of the Clean Energy Package for all Europeans, which requires Member States to assess and, where relevant, report on fuel poverty.⁵ Government continues to support the Committee on Fuel Poverty on their research priorities as they commission research. National Energy Action, academics in the Fuel Poverty Research Network and many others continue to build and enhance the evidence base used to develop fuel poverty policy.

Ensuring the fuel poor are able to get maximum benefit from a fair and functioning energy market

Compared with 2010 there is greater competition in the domestic energy market with around 60 suppliers compared with 12 in 2010. This means that consumers who engage with the market, including vulnerable consumers to the extent they are able to, have greater choice. Ofgem's safeguard tariff was introduced in 2017 to protect those on pre-payment meters. In early 2018, this protection was extended to a further one million customers in receipt of the Warm Home Discount who are on a standard variable or default tariff.

In 2018 Government legislated for a cap on poor value standard and default tariffs, ensuring that an additional 11 million households are protected until the conditions for effective competition are in place. Government has also implemented changes to reduce the Warm Home Discount supplier obligation thresholds to obligate more suppliers and reduce barriers to switching. The price cap will be in place until the end of 2020 and may be extended by a year at a time until the end of 2023 at the latest. The decision to lift the price cap will be informed by a review into whether the conditions for effective competition are in place⁶.

The Government is also conducting a joint review, with Ofgem, on the Future Energy Retail Market. This Review will explore proposals to ensure the energy market of the future safeguards vulnerable and disengaged customers, while also allowing for a smart, flexible, innovative energy system. Reforms that minimise market distortions could reduce the incentives on suppliers to charge uncompetitive prices to consumers, but government and Ofgem will also need to ensure they have powers to ensure excessive loyalty penalties do not return to the energy retail market. Even in a market with more innovation and no distortions, there is still a risk that without additional measures in place, consumers who do not or cannot engage in the market, could face excessive prices for their energy. We are therefore running a consultation⁷ as part of the Review, which includes looking at whether the right incentives are in place for suppliers to meet the needs of these consumers and enable them to benefit from system changes. This includes considering the CMA's work on loyalty penalties in other sectors and seeking views on measures that the CMA set out. The consultation is open until 16 September and Government will legislate in future if necessary.

The rollout of smart meters is putting households firmly in control of their energy use, helping them track how much they are spending on gas and electricity so they can save money. Millions of people have already chosen to have a smart meter and take control of their energy bills, with around 13.8 million now installed across Great Britain to the end of 2018.

⁵ <https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/clean-energy-all-europeans>

⁶ Ofgem (2019) [Developing a framework for assessing whether conditions are in place for effective competition in domestic supply contracts](#)

⁷ <https://www.gov.uk/government/consultations/flexible-and-responsive-energy-retail-markets>

Recognising that some households may need additional support in order to realise the full benefits of smart metering, Government has worked with Ofgem and industry to establish a set of support principles⁸ for vulnerable and pre-payment customers. The Big Energy Saving Network continues to help households to switch and save.

Tackling the financial burden of energy bills for those on low incomes

The Warm Home Discount has been extended until at least 2021, providing over two million low income and vulnerable consumers with a £140 rebate off their energy bill each winter. Winter Fuel Payments continue to provide pension aged households with support to pay for their winter energy bills and the Cold Weather Payments provide additional financial support during periods of cold weather.

Improving the reach of support for certain high cost homes

The 2015 strategy committed to improving support to certain high cost homes, such as park homes and homes off the gas grid. In 2015 Government published a non-gas map⁹ in partnership with National Grid Affordable Warmth Solutions to better understand the location and characteristics of non-gas fuel poor homes. The Government-funded £25m Central Heating Fund in 2015 was designed to specifically support low income households living in non-gas homes who did not have a central heating system. Experience from this policy helped inspire the £150m National Grid 'Warm Homes Fund' which is focused on providing heating solutions to low income homes who are off the mains gas grid. Changes to the Warm Home Discount has enabled some park home residents to be supported under the scheme.

Improving the reach of support to certain low income households

The £1m Health Booster Fund, launched in 2015, helped to further understanding of cold homes and ill health. This learning has fed into the development of ECO Flexible Eligibility. Feedback from participating Health Booster Fund Local Authorities, as well as collaboration with Public Health England (PHE), was used to design the 'Low income vulnerable to cold' (LIVC) group that forms a part of ECO Flexible Eligibility. BEIS also commissioned toolkits¹⁰ to help share and disseminate good practice on health evaluation (2015) and cold home referrals (2018).

Conclusion and Next Steps

Fuel poverty is a significant challenge. Although progress has been made, more work remains. The following consultation asks for your views and evidence on, amongst other matters, what commitments and policies Government should implement going forward to make further progress. It also proposes an update to the fuel poverty metric, to make it easier to keep track of Government's progress against the 2030 target and interim milestones, and asks for views on retaining the target and milestones and on how the strategy can best be scrutinised going forward. Finally, it proposes updates to the guiding principles set out in the strategy, including proposing a particular focus on considering the needs of lower income households that are

⁸ <https://www.nea.org.uk/smartenergygb/consumer-reference-group/>

⁹ <https://www.nongasmap.org.uk/>

¹⁰ <http://www.instituteofhealthequity.org/resources-reports/cold-homes-and-health-referral-toolkits-to-tackle-fuel-poverty-across-england>

most vulnerable to cold homes due to their age or health, and a new guiding principle aimed at a more forward-looking, cross-Government fuel poverty strategy.

The proposals

This consultation document sets out questions and proposals about revisions to the 2015 Fuel Poverty Strategy, following the same general structure as the 2015 Strategy: beginning with how we measure fuel poverty, discussing the fuel poverty target and milestones, setting out our guiding principles, moving on to the key challenges which must be overcome to tackle fuel poverty, and ending with a discussion of the regular review and scrutiny of the fuel poverty strategy. The document asks for views on each section and puts forward Government proposals where applicable.

The primary purpose of the fuel poverty strategy is to set out Government's plan for meeting the statutory fuel poverty target. The work of Professor Sir John Hills identified energy efficiency as the best long-term solution to alleviating fuel poverty, and the Government agrees with this approach. Our strategic approach is therefore primarily based upon improving the energy efficiency standards of fuel poor homes. Fuel poverty is, however, a complex issue. The challenges set out in the 2015 strategy and referred to later in this consultation recognise that other factors, such as a fair and functioning energy market, are important to ensure households can adequately heat their homes.

Who are we trying to help?

This section sets out an overview of how work to tackle fuel poverty has evolved; a proposal to update the way Government measures progress towards the fuel poverty target and the approach taken to supporting those classified as living in fuel poverty in the strategy; and how Government proposes to look to support low income and vulnerable households as part of our strategic approach.

Previous fuel poverty measure – 10% indicator

The first UK fuel poverty strategy, adopted in 2001, set out the 10% indicator under which a household was considered fuel poor if it needed to spend more than 10% of its income (measured before housing costs) on energy in the home. In 1996, in England, there were some 5 million fuel poor homes. This had dropped to around 1 million by 2003/04. In the years to 2010, however, fuel poverty quickly rose again, reaching 4 million by 2009. During this time considerable investment was being made in the housing stock, through schemes such as Decent Homes and Warm Front, but their impact on the fuel poverty statistics appeared limited. The 10% indicator's high sensitivity to energy prices masked investment and improvement to the housing stock. Indeed, high prices were bringing some people who were reasonably well-off but lived in large, inefficient homes into the fuel poverty statistics. There was a danger of both underplaying the effectiveness of support schemes and undermining good scheme design.

Government commissioned Professor Sir John Hills, of the London School of Economics, to undertake a fully independent review of fuel poverty. He found that, although anyone on a very low income may struggle to pay their bills, fuel poverty is distinct from general poverty because those in fuel poverty must pay unreasonably high fuel costs in addition to having a very low income. A key recommendation of the Hills Review was the Low Income High Costs indicator of fuel poverty, which was adopted as the official measure of fuel poverty in the 2015 fuel poverty strategy.

Current fuel poverty measure – Low Income High Costs (LIHC)

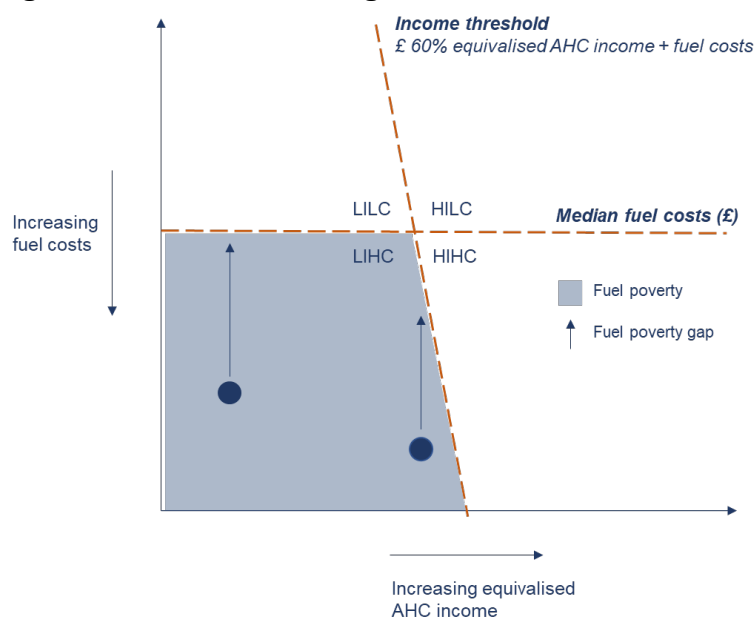
Under the Low Income High Costs indicator, a household is considered to be fuel poor if:

- they have required fuel costs that are above average (the national median level) as depicted by the horizontal threshold in Figure 2; and
- were they to spend that amount, their disposable income (after housing costs) would be below the poverty line¹¹ as depicted by the vertical sloping threshold in Figure 2.

The Low Income High Costs indicator (LIHC) is a dual indicator consisting of:

- The number of households that have both low incomes and high fuel costs (shown by the shaded area in the bottom left hand quadrant in Figure 2); and
- The depth of fuel poverty among these fuel poor households. This is measured through a fuel poverty gap (shown by the vertical arrows in Figure 2), which represents the difference between the required fuel costs for each household and the nearest fuel poverty threshold.

Figure 2: Low Income High Costs indicator^{12 13 14 15}



¹¹ The poverty line (income poverty) is defined as an equivalised disposable income of less than 60% of the national median (Section 2):

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/articles/persistentpovertyintheukandeu/2015>

¹² After Housing Costs (AHC)

¹³ LIHC = Low Income High Cost, HIHC = High Income High Costs, HILC = High Income Low Costs, LILC = Low Income Low Costs

¹⁴ In 2016, income threshold = £13,208 + fuel costs and median fuel costs = £1,177

¹⁵ Equalisation factors are used to account for household composition, see table 10 and 11 of [methodology handbook](#)

In order to compare statistics based on Low Income Low Energy Efficiency, the Scottish metric, and Low Income High Cost, figures in the proposals section are based on 2016 fuel poverty data.

Under LIHC, 2.55 million households were classed as fuel poor in 2016. The average fuel poverty gap for each household was £326, giving a total fuel poverty gap of £832 million. More information can be found in our annual fuel poverty statistics¹⁶ and fuel poverty statistics methodology handbook¹⁷.

A household's fuel poverty status depends on their income and fuel costs relative to the rest of the population. The relative nature of the indicator means that the proportion of households in fuel poverty remains, overall, stable over time (between 10-12 per cent of the English population). Importantly, these are not always the same 10-12 per cent of the population. Households 'churn'¹⁸ in and out of the fuel poverty classification year on year dependent on their income and fuel costs compared to the average. As a result, a household's fuel poverty classification can change even if their individual circumstances do not change because, relative to the population, they are more likely to be experiencing fuel poverty.

Analysis of whether households move in and out of fuel poverty¹⁹ was published by BEIS in December 2018 and highlighted the extent of fuel poverty churn. This analysis found that in 2016, 410,000 households were estimated to move out of fuel poverty and 270,000 into fuel poverty. Tracking progress against the fuel poverty target (as explored in the target and milestones section on Page 20) is challenged by the consistent churn of the fuel poverty population.

Tracking progress is also challenged by the relative nature of the metric, which means the proportion of the population in fuel poverty is always roughly similar irrespective of the rate of progress in improving energy efficiency of the building stock. This means it is hard to assess whether adequate progress is being made, and the level of effort is sufficient.

Consultation Proposal – Low Income Low Energy Efficiency (LILEE)

Government proposes to update the way in which fuel poverty is measured to better track progress against the statutory fuel poverty target. The updated measure would still reflect the three key drivers of fuel poverty (income, energy efficiency and fuel prices) and would still measure the number of households in fuel poverty and the fuel poverty gap.

Under the proposed measure, Low Income Low Energy Efficiency (LILEE), a household would be classed as fuel poor if:

- they are living in a property with an energy efficiency rating of Band D, E, F or G as determined by the most up-to-date Fuel Poverty Energy Efficiency Rating Methodology (FPEER)²⁰ - this is depicted by the horizontal threshold in Figure 3; and

¹⁶ <https://www.gov.uk/government/statistics/annual-fuel-poverty-statistics-report-2018>

¹⁷ <https://www.gov.uk/government/publications/fuel-poverty-statistics-methodology-handbook>

¹⁸ Households moving in and out of fuel poverty year on year

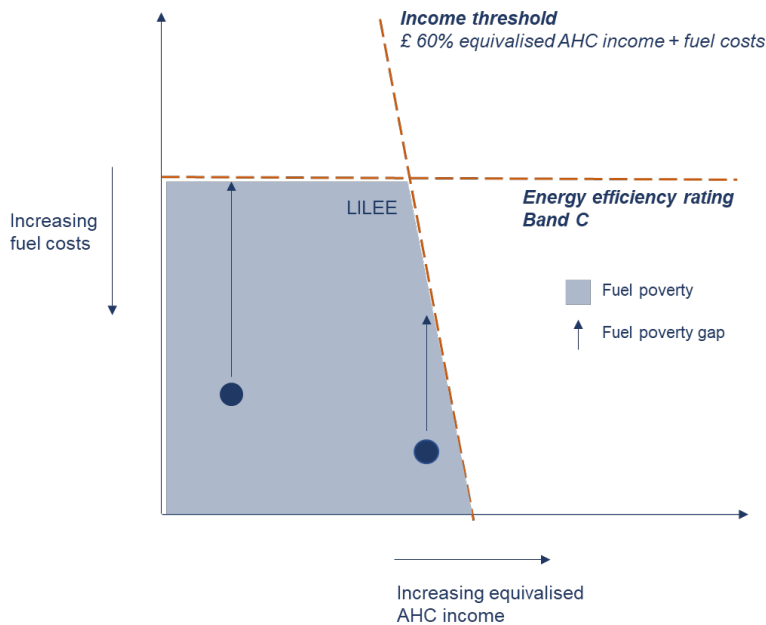
¹⁹ <https://www.gov.uk/government/publications/energy-trends-december-2018-special-feature-article-do-households-move-in-and-out-of-fuel-poverty>

²⁰ More information on FPEER can be found [here](#).

- their disposable income (after housing costs and energy needs) would be below the poverty line²¹ as depicted by the vertical sloping threshold in Figure 3.

The LILEE measure would update the current relative high cost threshold to an absolute threshold. The income threshold would remain unchanged, following the existing methodology as specified under LIHC²².

Figure 3: The Low Income Low Energy Efficiency (LILEE) indicator including the fuel poverty gap²³



Similar to LIHC, the LILEE proposed measure would estimate the number of households in fuel poverty (shaded area in Figure 3) and the average fuel poverty gap (vertical arrows in Figure 3). The fuel poverty gap would be defined as the required change in fuel costs which is associated with increasing the energy efficiency of a fuel poor household to above an FPEER Band C; or which increases the disposable income to a level where the household is no longer in income poverty.

The average fuel poverty gap would be calculated by simulating energy improvements which move all fuel poor households out of fuel poverty. The fuel costs for each property would then be re-calculated, after the energy efficiency improvements have been simulated.

The difference between a household's current fuel costs and the simulated property would give an estimate of the fuel poverty gap. As with LIHC, this would allow us to compare the severity of fuel poverty between different dwelling and household types.

Analysis indicates that the number of households in fuel poverty and the fuel poverty gap, as measured under LILEE, respond to the three key drivers of fuel poverty as we would expect:

²¹ The poverty line (income poverty) is defined as an equivalised disposable income of less than 60% of the national median (Section 2): <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/articles/persistentpovertyintheukandeu/2015>

²² Section 3 of [methodology handbook](#)

²³ After Housing Costs (AHC)

- Energy efficiency: As fuel poor households become more energy efficient (or if more fuel poor households receive the Warm Home Discount), the number of households classed as fuel poor will decrease.
- Fuel costs: As fuel costs rise, the number of households who are classed as fuel poor would increase and if fuel costs decrease the number of households who are classed as fuel poor would decrease.
- Incomes: If income inequality between rich and poor increases, the number of households who are classed as fuel poor would increase. If income inequality decreases, the number of households who are classed as fuel poor would decrease.

Impact on statistics

Table 2: Key Statistics under LIHC and LILEE

2016	LIHC	LILEE
Number of households in fuel poverty	2.55 million	3.66 million
Proportion of households in fuel poverty (%)	11.1	15.9
Average fuel poverty gap (£)	326	292
Aggregate fuel poverty gap (£)	832 million	1,068 million

Almost all households that are fuel poor under the LIHC measure are also fuel poor under LILEE – 92.3% or 2.36 million households. Approximately 200,000 households living in Band C properties would no longer be considered fuel poor under the LILEE measure. However, this update is not expected to affect policy eligibility in the near term. Going forward, we propose to consider the needs of vulnerable households living in Band A to C homes under our vulnerability principle, as well as the needs of fuel poor households living in Bands D to G.

More than one million households, largely in Band D, would be newly measured as fuel poor. The addition of many households in Band D would increase the aggregate fuel poverty gap, but it would reduce the average fuel poverty gap, because on average households in Band D have lower fuel bills. We think it is important to recognise that those in Band D households may be fuel poor; however, our policies would initially still be targeted at those in the least efficient homes. Annex B indicates the movement of households between the existing and proposed measures in relation to a number of specific classifications.

Other options considered:

Low Income Low Energy Efficiency (EPC)

We considered a variant of ‘Low Income, Low Energy Efficiency’, where the high cost threshold is based on EPC bands as opposed to FPEER bands²⁴. This methodology would not capture the impact of the £140 Warm Home Discount rebate (unlike FPEER) or any future policies that directly affect the cost of energy. Factoring in the Warm Home Discount enables a more

²⁴ Fuel Poverty Energy Efficiency Rating Methodology:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/332236/fpeer_methodology.pdf

flexible approach to measuring progress against the fuel poverty target; for example, households that cannot be improved to Band C could be a priority for bill support in future, so that these households are not left behind.

Scottish definition

The Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill passed Scottish Parliament on 11 June 2019. This Bill sought to change the definition of fuel poverty to the following:

A household is in fuel poverty if—

(a) the fuel costs necessary for the home in which members of the household live to meet the conditions set out in subsection (2) are more than 10% of the household's adjusted net income, and

(b) after deducting such fuel costs, benefits received for a care need or disability (if any) and the household's childcare costs (if any), the household's remaining adjusted net income is insufficient to maintain an acceptable standard of living for members of the household.²⁵

The conditions set out in subsection (2) were that (a) the requisite temperatures are met for the requisite number of hours, and (b) the household's other reasonable fuel needs within the home are met.

If we were to apply a metric based on the proposed Scottish fuel poverty indicators to our 2016 fuel poverty statistics, there would be 4.27 million households classed as fuel poor in England (18.6% of households). Compared to our current LIHC measure, 80% of households that are currently classed as fuel poor under the LIHC measure would also be classed as fuel poor under a metric based on the proposed Scottish fuel poverty indicators.

We considered a metric based on the proposed Scottish indicators, but the LILEE measure is driven by energy efficiency and provides a clearer metric for keeping track of Government progress towards its energy efficiency based statutory fuel poverty target for England. By contrast, the Scottish indicators are predominantly driven by income and fuel prices.

Discussion

There are two key impacts of updating the LIHC indicator to LILEE:

- The high cost threshold is absolute under LILEE as opposed to relative. The fuel poor population under LILEE is less susceptible to churn, thus making it a more effective measure of progress against the fuel poverty target. This will produce a more linear relationship between the investment made to upgrade homes and the progress made towards the fuel poverty target.
- LILEE broadens the number of households classed as fuel poor by including all households who have a low income living in FPEER Band D, E, F or G, adding a net 1.1 million households to the statistics.

²⁵ For most households, the remaining adjusted net income is insufficient to maintain an acceptable standard of living if it is less than 90% of the minimum income standard applicable to the household after deduction of the notional costs allocated as to (a) rent, (b) council tax and water rates, (c) fuel, (d) childcare. However, if the household is in a remote rural or remote small town or island area, an uplift to the income threshold is applied. <https://www.parliament.scot/parliamentarybusiness/Bills/108916.aspx>

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

Please could you cite any evidence for agreeing or disagreeing with this proposal.

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

- **Household energy requirements calculation, including heating regimes²⁶**
- **Equivalisation factors, for fuel costs and for income²⁷**
- **Income methodology²⁸**
- **Fuel prices methodology²⁹**

²⁶ Section 5 of [methodology handbook](#)

²⁷ Equivalisation factors are used to account for household composition, see table 10 and 11 of [methodology handbook](#)

²⁸ Section 3 of [methodology handbook](#)

²⁹ Section 4 of [methodology handbook](#)

The fuel poverty target for England

The fuel poverty target was set in the Fuel Poverty (England) Regulations 2014. It requires that as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency rating of Band C³⁰, by the end of 2030. The legislation reads:

The objective for addressing the situation of persons in England who live in fuel poverty is to ensure that as many as is reasonably practicable of the homes in which such persons live have a minimum energy efficiency rating of Band C as determined by the Fuel Poverty Energy Efficiency Rating Methodology (dated 17th July 2014).³¹

Government is minded to retain this target. Band C by the end of 2030 remains an ambitious but achievable target, which is consistent with Clean Growth Strategy commitments.

The Warm Homes and Energy Conservation Act 2000 required Government to set out a fuel poverty strategy specifying interim milestones. The 2015 strategy set out the following interim milestones:

- (i) as many fuel poor homes as is reasonably practicable to Band E by 2020 and*
- (ii) as many fuel poor homes as is reasonably practicable to Band D by 2025.*

Government engaged with the Committee on Fuel Poverty and several other stakeholders in preparing this consultation. Many of these stakeholders advised that the current milestones and target should be retained, and that Government should focus on setting out an updated policy plan for meeting the existing target and milestones.

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

³⁰ Band C as determined by the Fuel Poverty Energy Efficiency Rating Methodology (dated 17 July 2014) and which can be found [here](#).

³¹ <http://www.legislation.gov.uk/ukdsi/2014/9780111118900/contents>

Our guiding principles for meeting the fuel poverty target

The 2015 strategy sets out three principles that are designed to guide policymaking. Government has received feedback that these principles remain relevant, but should be more detailed in an updated strategy. Below we set out, in respect of each principle, the way the principle currently operates and potential points of clarification, which we propose would form the basis of a more detailed principle. This consultation seeks views and evidence on updating these guiding principles as well as making some additional changes to the meaning of the vulnerability principle and adding a new sustainability principle.

Prioritisation of the most severely fuel poor. Under this principle – also known as the ‘Worst First’ principle - Government prioritises households with the largest fuel poverty gaps. In other words, Government aims to help those in the worst homes first. So far, this principle has been reflected in the Minimum Energy Efficiency Standards, which require private landlords of F or G rated properties to improve their properties to an EPC Band E rating or better, by spending up to £3,500 including VAT, which must include their own financial contribution if they cannot source sufficient funds elsewhere. This principle is also reflected in the Energy Company Obligation, where energy suppliers can receive an uplift for treating certain F or G rated properties under ECO Flexible Eligibility.

Energy efficiency schemes such as the Energy Company Obligation face a trade-off between prioritising those who are in the most severe fuel poverty – for example, those in F and G rated properties – and keeping search costs low. An updated ‘Worst First’ principle would provide an opportunity to clarify the Government’s position on this trade-off. We intend to continue to be focused on the worst homes first. This will mean ensuring policy is designed so that the worst remaining fuel poor homes are not left behind. It will not be possible to improve all F&G homes by 2020, which means ensuring that policies are designed so that these homes can continue to be supported alongside making progress to the 2025 milestone and 2030 target.

Currently, if a severely fuel poor household receives support from the Energy Company Obligation, they may only receive one measure. An updated ‘Worst First’ principle would provide an opportunity to clarify whether energy efficiency schemes such as ECO should take more of a whole house retrofit approach. Some stakeholders have suggested that those in the most severe fuel poverty should receive multiple measures in one visit, to bring them out of fuel poverty sooner and minimise disruption to the household. We welcome views and evidence on to what extent a ‘straight to C’ approach would improve the lives of those in severe fuel poverty.

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

Supporting the fuel poor with cost-effective policies. Under this principle, Government prioritises approaches to fuel poverty which provide best value for money for taxpayer funds. As set out in our 2015 strategy, we cannot expect to take action that is not cost-effective when Government faces many contending challenges, and costs should be minimised wherever possible. Government is committed to long-term cost-effectiveness by investing in energy efficiency and innovation. So far, this principle has been reflected for example in the Energy Company Obligation, which is designed to install the most cost-effective measures first, and the Minimum Energy Efficiency Standards.

Part of cost-effectiveness is the consideration of ‘who pays’. Central Government, local authorities, health services, energy companies, and landlords must work together in progressing towards the ambitious fuel poverty target and milestones. This consultation seeks views and evidence on how these groups can work together to deliver the aims of the fuel poverty strategy in a cost-effective way.

Another part of cost-effectiveness is considering the total value of investment required to improve individual homes. Some properties can only be improved to Band C with extensive retrofit measures, which can cost tens of thousands of pounds. Some properties may have a legitimate exemption (e.g. listed status) while yet others may simply never reach Band C regardless of the mix of measures installed. This consultation thus seeks views on the challenges associated with providing effective fuel poverty support across a housing stock with significant variances in underlying energy performance.

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

Reflecting vulnerability in policy decisions. In the 2015 strategy, this principle is about considering the particular needs of the sub-set of fuel poor households who are at most risk from cold homes, including the elderly, very young children, and those with long-term mental or physical health conditions or disabilities. This principle recognises that Government should not focus just on the home. When designing policy, it is important to be mindful of the people living in them and that the impact of living in a cold home will vary for different household types.

In practice, current fuel poverty policies extend support to vulnerable people even if they are not technically fuel poor under the Low Income High Cost metric, in order to ensure care for those who could be at risk of poor health, disability or death due to their cold home. For example, ECO Flexible Eligibility allows local authorities to identify ‘low income and vulnerable to the cold’ households for delivery of ECO measures. This could include support for those who have recently been discharged from the hospital without always needing to calculate the household’s fuel costs.

Government proposes to refine the meaning of this principle by clarifying that we will consider the impact of our policies on the health and wellbeing of people on very low incomes, even when they fall outside of the proposed fuel poverty metric. In line with our ‘Worst First’ principle, our primary focus will continue to be our 2030 energy efficiency target, but there may be cases at the margin where households in homes rated higher than Band D may be vulnerable to the cold. As such, we propose that as we design fuel poverty policies, we should consider as a matter of priority the specific needs of vulnerable households. People may be vulnerable to the effects of living in a cold home if they are of a certain age or living with certain health conditions and we should also consider the needs of such households where they may be at risk of serious health impacts.

An updated ‘vulnerability’ principle would also provide an opportunity to clarify who is most at risk to the impact of living in a cold home. Government is minded to update the vulnerability principle based on the National Institute for Health and Care Excellence (NICE) guidelines³² and other relevant evidence, to help make clear which factors make a person more vulnerable to the effects of living in a cold home and should be particularly considered during policy design.

³² <https://www.nice.org.uk/guidance/ng6>

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

Designing sustainable fuel poverty policies. Government proposes a new fourth principle, designing sustainable fuel poverty policies. Under this principle, Government would aim to design policies which will benefit fuel poor households in the long term, in line with other Government priorities such as the Clean Growth Strategy³³, the Clean Air Strategy³⁴, and the Industrial Strategy³⁵. This principle would also contribute to international commitments such as the United Nations' Sustainable Development Goals³⁶.

By incorporating this principle, the revised fuel poverty strategy would support clean, affordable energy for all. It would be short sighted for the revised fuel poverty strategy to support, for example, the installation of heating oil when the Government has committed to net zero carbon emissions by 2050. Although heating oil is a low-cost option for homes off the mains gas grid, the Clean Growth Strategy has already committed to removing it throughout the 2020s because of its harmful effects on the climate and air quality. We also intend to clarify the role of mains gas in meeting the fuel poverty target. The Fuel Poor Network Extension Scheme is an important measure to tackle fuel poverty providing immediate support to help households switch to lower cost fuels. However in order to decarbonise heating it is likely that we will need to stop extending the existing mains gas grid and installing fossil fuel based heating during the 2020s.

In addition, by incorporating this principle, the revised fuel poverty strategy would support the development of an innovative 'smart' energy system with flexible energy usage. Government supports the inclusion of fuel poor households in energy innovation. By supporting the fuel poor to engage in smart energy systems, the fuel poverty strategy would also support the continued growth of the energy efficiency industry, a significant UK employer with turnover of £43 billion in 2018.

Government envisions the revised fuel poverty strategy playing a significant role in supporting health priorities. This draws on evidence that living in a cold home is associated with a range of poor health outcomes and an increased risk of morbidity and mortality for people of all ages³⁷. Tackling fuel poverty is important for improving health outcomes and reducing health inequalities, and helping to prevent the major avoidable effects on health during periods of cold weather in England. Taking a long-term view, work on fuel poverty should complement work on health policy.

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

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

³³ <https://www.gov.uk/government/publications/clean-growth-strategy>

³⁴ <https://www.gov.uk/government/publications/clean-air-strategy-2019>

³⁵ <https://www.gov.uk/government/topical-events/the-uks-industrial-strategy>

³⁶ <https://www.un.org/sustainabledevelopment/energy/>

³⁷ <https://www.nice.org.uk/guidance/ng6>

The strategic approach in the future

For each of the eight strategic challenges identified in the 2015 strategy, Government set out forward-looking commitments to underpin progress towards the fuel poverty target. We are proposing to reform this section of the strategy into a plan to meet the fuel poverty target. Where possible we intend to set out the schemes in place, or committed elsewhere, that will make a contribution to overcoming each challenge and tackling fuel poverty. We intend to review previous Government commitments and set out a new policy plan with updated commitments for meeting the 2030 fuel poverty target.

In this section we set out the eight challenges from the 2015 strategy and include examples of current activity, as well as commitments made elsewhere, which are helping to overcome each challenge. We are seeking views on what else should be included in the fuel poverty strategy to overcome each challenge and improve the lives of fuel poor households. This may include suggestions for additional policy interventions, commitments that should be retained from the 2015 Strategy or new commitments that Government should make to drive additional progress and guide future policy making. Suggested actions should support the strategy's guiding principles of targeting the worst homes first, designing cost-effective policies, and reflecting vulnerability in policy decisions. Please provide evidence to support your response.

Improving energy efficiency standards in fuel poor homes

Improving energy efficiency is the best long-term solution to tackling fuel poverty. Meeting the 2030 fuel poverty target requires facing up to the challenge of delivering millions of energy efficiency measures to transform the domestic housing stock.

Examples of current key activity addressing this challenge include ECO and the Minimum Energy Efficiency Standards for the private rented sector. In terms of examples of commitments made elsewhere, the Clean Growth Strategy made a series of commitments relevant to home energy efficiency, which we intend to adopt as part of a refreshed policy plan to improve the energy efficiency standards in fuel poor households:

- The Clean Growth Strategy (CGS) reaffirmed that fuel poor households should achieve this FPEER Band C standard by 2030 as far as reasonably practicable.
- The CGS committed to extend support for energy efficiency at least at the current level of ECO to 2028. In line with that commitment, Government will consider the strategic objectives for the successor ECO scheme and what are the most effective and efficient policy delivery mechanisms of meeting those objectives.
- In line with the CGS commitment, Government will look at a long term trajectory to improve the energy performance standards of privately rented homes, with the aim of upgrading as many as possible to EPC Band C by 2030 where practical, cost-effective and affordable. Government will also look at how social housing can meet similar standards over this period.

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

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

Working together to help the fuel poor through partnership and learning

Fuel poverty is a societal issue which Government cannot and should not seek to tackle alone. The most effective and innovative approaches are most likely to emerge when partners join their efforts and expertise. Effective partnerships between Government departments, local authorities, the energy sector, health sector, charities and academics are essential to tackling fuel poverty.

There are many examples of effective partnership working that is helping to address fuel poverty. Examples include:

- Many local authorities, energy suppliers, gas networks and clinical commissioning groups are working together to identify where support is needed most and to use funding more flexibly. For example, organisations have worked to bring together support from the Energy Company Obligation and the National Grid Affordable Warm Solutions' Warm Homes Fund, alongside contributions from the health sector.
 - The Seasonal Health Interventions Network (SHINE) was first launched by Islington Council in 2010 but has since expanded to support those at risk from fuel poverty throughout London.
 - National Energy Action play a leading role in fostering partnership working for example through the Warm and Safe Homes awards, which provide funding to organisations to run community events at a local level to help vulnerable people with their energy needs.
 - As an outcome of Green Great Britain Week in October 2018 a working group on fuel poverty and cold related ill-health has been established including representatives from the Department of Health and Social Care, NHS England, Public Health England, BEIS, National Energy Action and Citizens Advice. The group seeks to foster partnerships and collaboration on fuel poverty and health.
 - The EU Energy Poverty Observatory aims to engender transformational change in knowledge about the extent of energy poverty in Europe and is facilitating the sharing of knowledge and best practice on fuel poverty.
- 11. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve partnership and learning on fuel poverty?**
- 12. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve partnership and learning on fuel poverty?**

Increasing effective targeting of fuel poor households

It is important to ensure that support is directed towards those that need it most and that the costs of delivering energy efficiency improvements are minimised as far as practical through effective targeting.

Examples of work that is focused on this challenge include:

- The Digital Economy Act 2017³⁸ created powers to facilitate greater data sharing between certain public authorities and licensed gas and electricity suppliers.
 - The Warm Home Discount rebates continue to be delivered automatically for around 1 million lower income pensioners' households. Government aims to enable more fuel poor households to receive automatic rebates in future.
 - Energy suppliers are able to data match with the Department of Work and Pensions to verify eligibility for the Affordable Warmth group in the Energy Company Obligation.
 - The non-gas map³⁹ brought together data on the proximity of homes to a gas main with information on fuel poverty and energy efficiency. Many local authorities and part of the energy sector are working with partner organisations to map housing stock and create mapping tools to guide policy targeting.
- 13. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve targeting for households in fuel poverty?**
- 14. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve targeting for households in fuel poverty?**

³⁸ <http://www.legislation.gov.uk/ukpga/2017/30/contents/enacted>

³⁹ <https://www.nongasmap.org.uk/>

Improving the reach of support for certain high cost homes

There is no one size fits all approach to address fuel poverty. Certain types of home have particular challenges, such as the mix of more expensive and often higher carbon heating in homes that are not connected to the main gas grid, or challenges with park homes or houses of multiple occupation. It is important to recognise these challenges in the design and delivery of the support that will be required to meet the fuel poverty target.

Examples of work that is helping to improve reach to certain high cost homes include:

- Ofgem's Fuel Poor Network Extension Scheme (FPNES) which has a target to connect up to 91,000 fuel poor households to the mains gas grid by 2021.
 - In 2017 National Grid and Community Interest Company Affordable Warmth Solutions announced a £150m Warm Homes Fund to be delivered over 3 years. The fund focuses on the gas heating systems to complement FPNES and other central heating solutions, including renewable heating for households in more remote rural locations that cannot be cost effectively connected to the mains gas grid.
 - The Domestic RHI Amendment Regulations 2018 introduced assignment of rights to the Domestic Renewable Heat Incentive, to help householders access finance to overcome the upfront cost of a renewable heating system.
 - Under Warm Home Discount Industry Initiatives energy suppliers are innovating the delivery of energy bill rebates to ensure park home residents can benefit from bill support, even though many residents do not have an individual energy supply account.
 - The Energy Company Obligation includes uplifts for certain measures delivered to non-gas homes to incentivise delivery and requires a minimum of 15% of support to be delivered in rural communities.
- 15. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to support households in fuel poverty in high cost homes?**
- 16. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to support households in fuel poverty in high cost homes?**

Improving the reach of support to certain low income households

Just as there is no one size fits all for homes, different approaches will be required to support individuals and families. Government seeks to remove barriers to support for all households. A particular focus is on those low income households who are most at risk of harm from living in a cold home, in line with the updated vulnerability principle as proposed in this consultation.

Examples of work that is improving the reach of support to certain low income households include:

- ECO Flexible Eligibility enables local authorities to identify ‘low income and fuel poor’ households and ‘low income and vulnerable to the cold’ households for delivery of ECO measures, ensuring that households who are not in receipt of means tested benefits are not excluded. Many local authorities are working with the health sector to set criteria for the identification of households vulnerable to the cold based upon risk of the impact of living in a cold home.
 - Local authorities are working with Clinical Commissioning Groups to use the Better Care Fund and the Disabled Facilities Grant in combination with energy efficiency funding to ensure that homes are fit for purpose and people are able to stay in their homes for longer – in line with the Industrial Strategy Mission to ensure that people can enjoy at least an extra 5 years of healthy independent life by 2035, while narrowing the gap between the experience of the richest and poorest.
 - Local authorities, including those that participated in the 2015 Health Booster Fund, are pioneering innovative ‘warmth on prescription’ referral routes. Cornwall Council and Citizens Advice were commissioned by Government to produce a good practice toolkit on cold home referrals.⁴⁰
- 17. Keeping in mind the strategy’s guiding principles, what policies might be included in a policy plan to improve support for low income households who are most at risk for adverse health outcomes from living in a cold home?**
- 18. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve support for low income households who are most at risk for adverse health outcomes from living in a cold home?**

⁴⁰ <http://www.instituteofhealthequity.org/resources-reports/cold-homes-and-health-referral-toolkits-to-tackle-fuel-poverty-across-england>

Tackling the financial burden of energy bills for those on low incomes

Energy efficiency upgrades are the most effective way to support those facing fuel poverty in a lasting way. However, upgrading our housing stock takes time and it is important that all low income households are able to afford to heat their homes. This is why Government has a number of schemes in place that provide direct support in the interim to help ease the financial burden of energy bills, particularly over the winter months.

The 2015 strategy set out the policies through which Government is currently addressing the challenge of the financial burden of energy bills:

- The Warm Home Discount provides over 2 million low income and vulnerable households with a rebate of £140 off their winter energy bill. The scheme will continue until at least 2021.
- Winter Fuel Payments provide all pensioner age households with a payment between £200-£300 each winter to help older people heat their homes over the winter months.
- Cold Weather Payments provide an additional £25 payment to low income and vulnerable households if the average temperature in an area is recorded as, or forecast to be, zero degrees Celsius or below for 7 consecutive days.

Decisions will need to be made on whether these remain the right policy levers, and the appropriate policy mix for addressing the financial burden of energy bills going forward. The Government will consider the effectiveness of these measures in the context of existing commitments, such as retaining Winter Fuel Payments in their current form, and alongside wider ambitions for reform, such as improving targeting of the Warm Home Discount scheme.

- 19. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to decrease the financial burden of energy bills for households in fuel poverty?**
- 20. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to decrease the financial burden of energy bills for households in fuel poverty?**

Ensuring the fuel poor are able to get maximum benefit from a fair and functioning energy market

It is important that all consumers are able to afford to heat their home. The impact of increases in energy prices and poor value tariffs will place the largest burden on those with the least ability to pay. Whilst energy efficiency is the best long term solution, it will always be important that all low income and vulnerable consumers have access to a fair and functioning energy market. In this context vulnerability means those that may suffer such detriment in line with Ofgem's Vulnerability Strategy.⁴¹

Since the 2015 fuel poverty strategy was published, significant attention has been drawn to the topic of energy affordability, including the related issues of self-disconnection, self-rationing and 'energy in arrears'. At its most stark this may mean households with a pre-payment meter are unable to afford to top up their meter to provide essential energy services and lead to households rationing their energy consumption. While there has been significant progress in reducing the number of credit meter disconnections, which have fallen from 210 in 2016 to only 17 in 2017⁴², Ofgem have expressed concern that this "is shifting to people self-disconnecting while using a prepayment meter".⁴³ Self-disconnection and self-rationing can have a range of impacts, particularly on health over winter and 'energy in arrears'⁴⁴ could increase suppliers' costs which may be passed on to all consumers. Ofgem has recently concluded a call for evidence on prepayment meter self-disconnection and self-rationing but the extent of these issues and groups of consumers likely to be affected have proved difficult to quantify and assess. Some stakeholders have suggested that energy affordability should be considered more explicitly in the fuel poverty strategy and so we welcome views and evidence in particular on what policies might be included in a policy plan to address energy affordability.

Examples of action that is helping to ensure that these consumers have access to a fair and functioning energy market include:

- In 2018 Government introduced the Domestic Gas and Electricity (Tariff Cap) Act requiring Ofgem to set a cap on standard variable and default energy tariffs. The price cap came into force in January 2019 and now protects 11 million households from excessive prices until the conditions for effective competition are in place. Without the cap in place these customers would be paying on average £75-100 more for their energy.
- As part of the Future Energy Retail Market Review, announced in November 2018, the Government and Ofgem is considering how to promote a competitive and innovative retail market in which all customers can benefit from the transition to a smarter, more flexible energy system. As part of this, the review is considering whether the right incentives exist for suppliers to serve fuel poor and vulnerable customers and whether these customers are able to access the full range of offers and products available. The review will consider whether changes are required to ensure the right incentives are in place for suppliers to meet the needs of fuel poor and vulnerable customers.

⁴¹ <https://www.ofgem.gov.uk/about-us/how-we-work/working-consumers/protecting-and-empowering-consumers-vulnerable-situations/consumer-vulnerability-strategy>

⁴² Discussed on page 38 of 'Vulnerable Consumers in the Energy Market': <https://www.ofgem.gov.uk/publications-and-updates/vulnerable-consumers-energy-market-2018>

⁴³ <https://www.ofgem.gov.uk/publications-and-updates/updates-ofgem-consumer-vulnerability-strategy-cvs2025>

⁴⁴ Where credit meter customers are unable to pay for their energy but cannot be disconnected or required to install a Pre-Payment Meter because it would not be safe or practical to do so.

- The Big Energy Saving Network, developed and funded by BEIS, provides face to face support to switch and save for vulnerable and low income consumers, through trained energy champions, from community and voluntary groups across GB. This programme has reached over 600,000 consumers since its inception in 2013/14. From 2018/19 this has been led by Citizens Advice, who will strengthen the impact of the programme by integrating it into their wider consumer advice offering.
 - The smart meter rollout will support the transition to a smarter energy system and encourage consumers to be better informed and engaged. Smart meters offer a range of intelligent functions, provide consumers with near real time information on their energy use, and bring an end to estimated billing. With accurate information on their In-Home Displays (IHDs), consumers can easily understand how they can make small changes to the way they use energy in order to use less and save money on their bills. This information can help them choose a better tariff or inform their decision about switching their energy supplier, increasing their savings even further.
 - Ensuring that vulnerable and low income consumers benefit from the smart meter rollout is one of the main aims of the programme's consumer engagement strategy. The Government has put comprehensive consumer protections in place, including a regulatory framework that protects the privacy of individuals. We've established a Code of Practice which sets out mandatory minimum standards for the installation experience. Alongside the core benefits of smart metering, Government recognises the potential for innovation using smart meter data and are taking steps to support this innovation. BEIS launched the Smart Energy Savings (SENS) Competition in February 2019 to support the development and trialling of products and services that can deliver energy savings through improved feedback and advice.
- 21. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to create a fairer energy market for households in fuel poverty?**
- 22. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to create a fairer energy market for households in fuel poverty?**

Enhancing and improving understanding of fuel poverty

The UK is acknowledged as having a world class evidence base on fuel poverty due to an active academic community and charitable sector. Evidence helps Government formulate and deliver effective policies for addressing the complex challenge of fuel poverty. The evidence base will need to evolve over time in line with activity to meet the target and interim milestones. We will also look to develop the evidence base on the relationship between fuel poverty and other Government priorities, such as health, employment, and education.

Examples of current action that is helping to improve the understanding of fuel poverty:

- The Fuel Poor Research Network⁴⁵ is a community of academics with an interest in fuel poverty and professionals working on the issue. Each year members of the group continue to add to the academic literature on fuel poverty, challenge the way fuel poverty should be viewed and addressed, and enrich the understanding of the issue.
- National Energy Action continue to play a key role with research conducted or commissioned by NEA, with papers such as ‘Heat Decarbonisation: Potential impacts on social equity and fuel poverty’⁴⁶ being influential in Government thinking on the tensions between affordability and heat decarbonisation.
- The Committee on Fuel Poverty⁴⁷ have commissioned research in priority areas including the tensions and synergies of tackling fuel poverty, reducing carbon emissions and keeping household bills down in 2018 as well as Private Rented Sector enforcement in 2019.
- Government has also been working to add to the evidence base. This includes publishing Behavioural Characteristics of fuel poor households in 2017, analysis of households that move in and out of fuel poverty in 2018⁴⁸, and analysis of the difference between theoretical and actual energy consumption for fuel poor consumers in 2019⁴⁹. Government has also used the Health Impacts of Domestic Energy Efficiency Model (HIDEEM) and National Housing Model to improve the evidence base on health and energy efficiency and enable the impact of energy efficiency impacts on health to be monetised, the 2018 ECO impact assessment captured £177m of monetised health benefits.

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

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

⁴⁵ <https://www.jiscmail.ac.uk/cgi-bin/webadmin?A0=FPRN>

⁴⁶ <https://www.nea.org.uk/resources/publications-and-resources/heat-decarbonisation-potential-impacts-social-equity-fuel-poverty/>

⁴⁷ <https://www.gov.uk/government/organisations/committee-on-fuel-poverty>

⁴⁸ <https://www.gov.uk/government/publications/energy-trends-december-2018-special-feature-article-do-households-move-in-and-out-of-fuel-poverty>

⁴⁹ <https://www.gov.uk/government/publications/energy-trends-march-2019-special-feature-article-comparison-of-theoretical-energy-consumption-with-actual-usage>

Reviewing the strategy and scrutiny of progress

The 2015 strategy emphasised the importance of ensuring the fuel poverty strategy is updated to ensure it retains relevance and committed to reviewing the strategy regularly. We intend to maintain this commitment.

Progress toward the fuel poverty target and interim milestones are scrutinised by:

- The Committee on Fuel Poverty (formerly the Fuel Poverty Advisory Group). The Committee on Fuel Poverty was established in 2015 to advise Government on the effectiveness of policies aimed at reducing fuel poverty, and encourage greater co-ordination across the organisations working to reduce fuel poverty.
- Parliament. The 2015 strategy requires Parliament to debate fuel poverty each year. The most recent debate took place on 11 December 2018.⁵⁰

Official fuel poverty statistics, published annually, also provide an opportunity for scrutiny. We intend to continue doing this.

Government remains committed to scrutiny of the fuel poverty strategy. We are seeking views as to what extent our current processes, such as the annual Parliamentary debate, have improved transparency, and what additional actions could make the fuel poverty strategy more easily scrutinised by stakeholders and the public.

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

This consultation outlines our proposals for updating the 2015 strategy. However, if you have any further views which did not fit in to one of the questions above, please do provide them.

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

⁵⁰ <https://hansard.parliament.uk/Commons/2018-12-11/debates/CC150841-0711-48C1-94EC-1352EA0D3C68/FuelPoverty>

Consultation questions

1. Do you agree with the Government's proposal to update the fuel poverty metric to Low Income Low Energy Efficiency? If not, which metric would you prefer and why?
2. The proposed metric update – LILEE – would necessitate certain updates to the current methodology, namely as regards the high costs threshold, but the other aspects of the current LIHC methodology would not necessarily need updating. Do you have views or evidence on whether Government should update those other aspects of the methodology on the introduction of LILEE, including the following:
 - a. Household energy requirements calculation, including heating regime⁵¹
 - b. Equivalisation factors, for fuel costs and for income⁵²
 - c. Income methodology⁵³
 - d. Fuel prices methodology⁵⁴
3. Do you agree that Government should retain the current target and interim milestones?
4. Do you have views or evidence on our proposal to add more detail on, and clarify, the meaning of the 'Worst First' principle, including the considerations raised above?
5. Do you have views or evidence on our proposal to add more detail on, and clarify, the meaning of the cost-effectiveness principle, including the considerations raised above?
6. Do you have views or evidence on our proposal to add more detail on, and clarify, the meaning of the vulnerability principle and, in particular, on our proposed changes to the meaning of the principle?
7. Do you agree with our proposal to create a fourth principle on aligning fuel poverty strategy with current and future Government priorities? Do you have views or evidence that may be useful in creating this principle?
8. Would you suggest any other guiding strategic principles? Do you have any other views or evidence on the guiding principles?
9. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve energy efficiency for households in fuel poverty?
10. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve energy efficiency for households in fuel poverty?
11. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve partnership and learning on fuel poverty?
12. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve partnership and learning on fuel poverty?
13. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve targeting for households in fuel poverty?
14. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve targeting for households in fuel poverty?
15. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to support households in fuel poverty in high cost homes?
16. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to support households in fuel poverty in high cost homes?
17. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve support for low income households who are most at risk for adverse health outcomes from living in a cold home?

⁵¹ Section 5 of [methodology handbook](#)

⁵² Equivalisation factors are used to account for household composition, see table 10 and 11 of [methodology handbook](#)

⁵³ Section 3 of [methodology handbook](#)

⁵⁴ Section 4 of [methodology handbook](#)

18. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve support for low income households who are most at risk for adverse health outcomes from living in a cold home?
19. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to decrease the financial burden of energy bills for households in fuel poverty?
20. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to decrease the financial burden of energy bills for households in fuel poverty?
21. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to create a fairer energy market for households in fuel poverty?
22. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to create a fairer energy market for households in fuel poverty?
23. Keeping in mind the strategy's guiding principles, what policies might be included in a policy plan to improve the evidence base on fuel poverty?
24. What commitments, whether new or retained from the 2015 strategy, might supplement the policy plan in the updated strategy to improve the evidence base on fuel poverty?
25. Are existing arrangements sufficient to meet our commitments to review and scrutinise Government action on fuel poverty?
26. Do you have any further views or evidence on how the 2015 fuel poverty strategy should be updated?

This consultation is available from: www.gov.uk/government/consultations/fuel-poverty-strategy-for-england

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