



Committee on Fuel Poverty

Warm Home Discount Consultation

26th April 2018

Dear Warm Home Discount team,

WARM HOME DISCOUNT SCHEME 2018/19

On behalf of the Committee on Fuel Poverty (CFP), please find below our response to the consultation on the Warm Home Discount (WHD) scheme for 2018/19.

The CFP is an advisory Non-Departmental Public Body whose role is to advise the Government on policies aimed at reducing fuel poverty in England. You can find more background on the CFP, including its remit and latest annual report, [here](#). Details of the members of the Committee are [here](#).

General introductory comments

- The Committee welcomes the commitment to extend WHD out to 2021.
- We recognise that due to delays in implementing the necessary secondary legislation the Government is not able to use its new powers contained in the Digital Economy Act. This is disappointing and has delayed improved targeting of the scheme as recommended by the Committee.
- Beyond 2019 the Committee welcomes a more targeted approach to ensure the broader group is more in line with the Low Income-High Cost (LIHC) definition of fuel poverty and the administrative burden can be reduced through Department for Work and Pensions (DWP) and supplier data sharing.
- The Committee had previously recommended that supplier participation threshold should be reduced to 50,000 customers but the Government is proposing to retain the 250,000 threshold to avoid perceived impacts on competition. The Committee still believes that on equitable grounds suppliers should be required to engage in both social and environmental obligations once they have 50,000 customers.
- We look forward to the more significant changes from 2019/20 and request that eligibility is more closely linked with the profile of households in the LIHC definition of fuel poverty.
- We agree with the limit on debt write off within the scheme but recognise the significant relief that brings to many households who have fallen into debt and have little or no chance of repaying it.
- We welcome greater flexibility within the Industry Initiatives to identify households in or at risk of fuel poverty and recommend that, as well as offering rebates in line with WHD amounts, that they are provided with energy efficiency measures.
- The Committee proposes speedier administrative processes given the delay in the start of the scheme in 2018.

The Current Scheme

The WHD scheme is hailed as being ‘a key policy in alleviating fuel poverty and the burden of energy bills on vulnerable and low income households’. Analysis by the Committee has shown that whilst overall it is a progressive policy, the amount of the overall budget that is paid in discounts to those deemed to be in the Low Income High Cost (LIHC) definition of fuel poverty is only 15%.

Versus a counterfactual of having no WHD programme, the Impact Assessment calculates that for England, the proposed 2018/19 WHD reduces the average household national fuel poverty gap by £35million and reduces the number of households in fuel poverty by 112,000. These are positive results, but they could be improved despite the limitations of the policy framework as a dedicated LIHC fuel poverty policy.

Post 2019, the Committee suggests the Government explores flexibility of the level of the rebate to reflect need. This could be administratively burdensome, but some sliding scale based on need could be devised based, for example, on geographic location (longer heating seasons in the north) or the EPC band of the property.

We welcome the current mechanism to allow the rebate to be deducted from gas bills to allow householders to use the funding to pay for heating which accounts for a bigger percentage of energy costs for the fuel poor

Scheme funding until 2020-21

The Committee recommends that the amount of funding available is linked either to inflation or the rise in energy bills over the previous year – whichever is the higher.

The Core Group

The automatic payment system of the rebates is very welcome and extending this for a broader group to substantially improve the WHD’s focus of fuel poor households should be brought forward as soon as possible. The process of claiming where household data cannot be automatically matched is also welcome and we note that this allowed 67,000 more eligible households to receive the payments last year.

The Broader Group

If all of the Broader group currently eligible were to apply for the rebate (and in all likelihood they do not claim due to a lack of awareness of the scheme and the eligibility criteria) the scheme would be over-subscribed and over spent – and already each year many households who come forward after the target expenditure has been met by their supplier miss out on a rebate. This does not feel fair and should be addressed in the next phase of the scheme. Currently, the WHD is paid out to about 2 million households and currently only 17% of the budget goes to fuel poor households, (just over 300,000 households). Therefore, 2.2 million households living in fuel poverty do not currently receive a WHD. Even if there were to be better targeting of the current scheme, if all fuel poor households were to receive a rebate from 2020, the overall budget would need to rise (either through the existing market mechanism or with public funding).

Income levels of recipients

The stated objective of the WHD scheme is to ‘provide direct energy bill support for many fuel poor households, but also reduce the bills of a large number of low income and vulnerable households’. The BEIS Fuel Poverty statistics show that fuel poor households

have After-Housing-Cost Incomes in the decile ranges 1 to 4. The WHD Impact Assessment shows that 38% of WHD recipients are in the decile ranges 5 to 8. It appears that higher income households are receiving WHD rebates when over 2.2 million households in fuel poverty are not in a receipt of payment, and furthermore, suffer the regressive step of having to pay £13 per year on their fuel bills to pay for the WHD programme. The Committee proposes more analysis is done prior to proposing post-2019 changes to ensure the policy goals are clear and aligned with the aim of reducing the fuel poverty gap.

Industry Initiatives

Industry Initiatives that are well-designed and executed are an essential albeit small part of the scheme and the Committee welcomes the projects that have increased awareness of and have funded energy efficiency advice and measures to help reduce the fuel poverty gap.

Proposals for 2018/19 (spending target £340m)

The Committee recognises the limited proposed changes to the scheme with a focus on the Industry Initiatives element.

Some households living in LIHC definition of fuel poverty are not receiving welfare benefits and offering those households assistance via industry Initiatives is welcomed by the Committee – particularly those that provide a more holistic approach and offer a range of support including access to energy efficiency measures.

Responses to Consultation Questions

Question 1:

- **Do you agree that the cap on industry initiatives spending should increase from £30m to £40m in 2018/19?**

Yes, however there has been significant underspend on this element of the scheme to date by some companies (some choosing instead to allocate all funds into offering rebates to a Broader group that self-refer). The Committee believes that companies should still have the option of opting-out of Industry Initiatives if they can demonstrate there is already a well targeted approach to identifying households in fuel poverty and that they have instigated internal and external referral mechanisms to offer a range of appropriate measures alongside a rebate.

Continued learning and sharing of successful programme outcomes must be promoted by Ofgem and case studies provided. Companies should also be required to demonstrate how they are reaching fuel poor households in England that are living in Band E/F/G properties in private rented sector, and very rural areas off the gas grid. Successful trial initiatives in 2018/19 should be rolled out in 2019/20 with at least 50% of funding directed to those most likely to have a high fuel poverty gap.

Question 2:

- **Do you agree that a local authority declaration under ECO flexibility eligibility should count as evidence that a household is wholly or mainly in fuel poverty and therefore would be eligible for support under Industry Initiatives?**

The ECO Flex programme is new and has not yet been analysed to ensure that it delivers its aims. The following comments are based on an assumption that a detailed analysis of its performance shows that it has been successful in identifying fuel poor households who would not have been identified without using the Flex programme. The Committee fully supports creating links between WHD and ECO. We believe that effective referral routes

should help identify properties which do require and can have energy efficiency measures fitted under ECO, however, in certain circumstances rebates to help meet higher than affordable fuel bills should be allowed using the flexibility criteria. Local authorities will need to specify why energy efficiency measures are not suitable.

This may incentivise more local authorities to engage since only a small percentage have active ECO flex schemes in place. Having something to offer households where measures are not suitable will be important in building up credibility in local communities as referral agents can offer a more holistic approach.

The criteria being proposed will require local authorities or their agents to demonstrate residents are 'wholly or mainly' in fuel poverty. There are different tools available and Ofgem should agree which methods are acceptable and data should be collected to ensure that the additional flexibility delivers the desired results.

Questions 3 and 4:

- **Do you agree that the cap on debt write- off should reduce from £12m to £10m in 2018/19?**
- **Do you agree that the cap should continue to reduce by 5% in each subsequent year?**

The Committee believes that more funds are required for energy efficiency interventions to meet the 2020 fuel poverty strategy milestone, however, we also recognise there have been different policy aims for WHD. We recommend that BEIS listen carefully to the views of poverty and debt agencies in response to this question. Debt is a very serious and increasing problem for many low income households and the support through company initiatives has helped thousands to return to regular payments and to balance their household budgets. All debt write off schemes should involve an element of advice on budgeting to ensure it is a sustainable solution.

A continuing reduction in the amount allowed should correspond with the roll out of smart meters which in principle allow households to better monitor usage and avoid debt build-up

Questions 5, 6 and 7 - on additional activities:

- **Do you agree that Government should expand the list of activities allowed under Industry initiatives to include the provision of financial assistance with energy bills, including rebates to households that are particularly at risk of fuel poverty?**
- **Do you agree that spending on the provision of financial assistance with energy bills should be capped at £5m or 12.5% of industry initiatives spending? If you think an alternative cap should be set, please provide your reasons**
- **Do you agree that financial assistance with energy bills per household should be equivalent to the amount of the WHD rebate (£140)?**

The Committee estimates that around 35,000 households who are at particular risk of fuel poverty but who do not receive a WHD rebate automatically or via the Broader group criteria could benefit from this initiative. Whilst we know that energy efficiency is the long term solution to fuel poverty, we also acknowledge the need for shorter term assistance including rebates and more beneficial tariffs.

The £140 rebate amounts to just more than 10% of the average fuel bill (but a much smaller percentage for those living in expensive to heat homes due to their energy inefficiency). For administrative purposes and ease of communication it seems sensible to set the level of

rebate at £140. However, if we wish to address individual need and circumstances the amount might need to vary, based on sets of criteria such as the EPC rating, source of heating fuel and number of people in the household. In the 1980s local authorities administered hard-to-heat heating supplements to housing benefit which was linked to the standard of the housing. Greater amounts could be provided on a trial basis to those whose fuel poverty gap was more than the average and where no energy efficiency measures were available through ECO.

A further concern is whether referrals for these payments would be subject to the same deadlines as other WHD payments. Given the delay in the start of the scheme in 2018 (anticipating July regulations agreed by Parliament?) and the reluctance of the companies to sign off any work until they receive Ofgem approval, it is possible that none of these newer initiatives will start before November – and with a proposed cut-off date for referrals by end January there is a risk the projects will be sub-optimal and will fail to meet the target.

Question 8:

- **Do you agree that Government should issue Regulations covering the scheme until 2020/21 with the proposed review clauses?**

This seems sensible. A successor to WHD should be consulted on in 2019 as part of wider consultation on meeting the fuel poverty strategy milestones beyond 2020.

Questions 9 and 10:

- **Do you agree that the Core Group eligibility criteria should be retained in 2018/19 for those people in receipt of Pension Credit Guarantee Credit?**
- **Should the Government consider further reform to the Core Group eligibility in future?**

The Committee has expressed concern that the current set of Government policies will fail to deliver the Government's own fuel poverty strategy milestones and ambitions. There continues to be a greater amount of funding for energy bill rebates (WHD) and income supplements (Winter Fuel Payments) than for energy efficiency measures which will lead to longer term and sustainable fuel poverty alleviation. Only around 15% WHD reaches those in LIHC fuel poverty as there is no link to the energy efficiency standard of the home – just the level of income. Furthermore, the Core Group are pensioners of whom only 8.4% are fuel poor. The non-pensioner fuel poor are currently excluded from the Core Group. As most fuel poor households are in the lowest 2 income deciles it is clearly right to target support on this national scale to those whose incomes are known to be the very lowest and live in homes that have higher than the national average required energy costs. In addition, it is right to target assistance to low income groups whose health is particularly affected by cold homes, for example the very elderly or those with chronic illnesses. If the proposed additional rebates under WHD can be applied effectively this will allow fuel poor households who are not pensioners to receive assistance.

We therefore fully support Government's intentions to maximise the use of the data sharing legislation as outlined by the following statements in this consultation:

"From 2019/20, we want to build on the success of the scheme, simplifying the way it is delivered and targeting it more accurately at households most likely to be in fuel poverty. We want to expand the successful data matching process we currently use for people on Pension Credit, so that in future all energy bill rebates will be provided in the same way, removing the need for consumers to apply. And, we want to improve the targeting of the scheme to better reach households who are on low incomes living in homes which are expensive to heat. In order to do that, we would

be using new primary legislation which will allow wider data sharing between Government and energy suppliers. The regulations under the Digital Economy Act which will enable access to the relevant data are expected to come into force in spring this year. Government plans to consult formally later in 2018 on proposals for a WHD scheme from 2019/20 onwards utilising wider data matching and improving the targeting of the scheme.”

“New data sharing powers under the Digital Economy Act (DEA) are expected to come into force in spring 2018 and would enable the potential expansion of the automated provision of support to low income working-age households, rather than just those in receipt of pension credits. The new powers would also enable rebates to be prioritised for those in the coldest homes using Government-held housing stock data.”

Question 11:

- **Do you agree that we should amend the Broader Group standard criteria to include Universal Credit recipients in work or self-employed with monthly net earning not exceeding £1,349 and maintain the other qualifying criteria (i.e. in receipt of a limited capability for work element, or a disabled child element, or parental responsibility for a child under 5)?**

The Committee supports this. The BEIS 2017 Fuel Poverty Statistics show that 12% of fuel poor households are in part-time employment. Where residents need to spend more time in the home as could be the case for those in the proposed eligibility groups, their energy bills would be higher than average. In future, we would prefer to see a closer link between the household energy efficiency standards in addition to these other criteria.

Question 12:

- **Do you agree that we should amend the Broader Group standard criteria for 2018/19 to include ESA recipients who are in a work-related activity group and UC recipients in receipt of limited capability for work (LCW) group?**

Yes – these households are likely to spend more time in the home and consequently have higher fuel bills. The Committee supports any improvements in targeting to reach more households in fuel poverty.

Question 13:

- **Do you agree that the standard criteria for the Broader Group cover the right benefits and take the right approach across the benefits covered, but with the potential for reform from 2019/20?**

The Government should demonstrate how far WHD reforms will contribute to the fuel poverty strategy milestones of reducing the total numbers and reducing the fuel poverty gap – and what impact each individual proposed change will have on the risk of falling into fuel poverty by certain groups. It is assumed that Government is proposing changes as they will assist in delivering the aims of the WHD programme, however, without any analysis being shown in the Impact Assessment, changes are difficult to comment on.

Question 14:

- **Do you agree that the value of the rebate should be £140 in 2018/19?**

Yes. If there is to be any change it is important that beneficiaries are notified well in advance so they can manage their energy use accordingly. This is a fairly blunt instrument but is becoming administratively less burdensome and has many merits. If, however the policy is to

contribute more effectively to the LIHC fuel poverty strategy goals it may need to be tailored and better targeted with a range of payments based on need.

Question 15:

- **Do you agree with the current supplier threshold?**

No. The Committee has previously recommended that the threshold is dropped to 50,000 customers. Whilst competition may benefit customers it is not an end in itself and service standards such as this rebate should be part of the package offered by any company wishing to provide essential utility supplies.

Question 16:

- **How do you think we should deal with circumstances described above in order to provide a quality, fair service to households?**

Where the supplier still holds a licence but is no longer obligated (customer numbers have dropped) but their customers had been eligible at the point the supplier was, the company must be obliged to make the payment. If the customer has been transferred to a new supplier, this company must take on that obligation to pay.

Question 17:

- **Do you agree that the 2018/19 scheme year should end in March 2019?**

It seems perverse to set up new referral networks to identify customers yet allow them only a few months- even weeks – to become established and refer in residents eligible for Broader Group payments. Referral bodies are often frustrated by the stop/start nature of programmes and they will need reassurance that people who meet the eligibility criteria are assisted. It would seem sensible given the late start (3-4 months) to the scheme in 2018/19 that the year end is extended to May 2019 for all elements of the scheme. Better that eligible households receive support late, rather than not at all.

Question 18:

- **Do you agree that if suppliers spent up to 5% more than their non-core obligation in scheme year 7 of the scheme then their non-core obligation should be reduced by a corresponding amount in 2018/19?**

Clearly that is what has been anticipated by the suppliers and it would be unreasonable to change that rule at the end of the scheme year.

Question 19:

- **Do you foresee any issues or risks associated with allowing suppliers to start industry initiative activities before the regulations are in place?**

It seems unlikely that any supplier's Finance Director would allow the start of initiatives without a certainty over the regulatory framework. Some companies may decide to continue to support initiatives that have had successful audits by Ofgem but new initiatives are riskier if they are to be delivered by new partners undertaking innovative new approaches.

Question 20:

- **Do you agree that the deadline for suppliers to submit a request to Ofgem to transfer some of their non-core obligation to Industry Initiatives is set to three and a half months before the end of the scheme?**

This seems reasonable and we would advocate the deadline of 15 February. This will allow companies to have worked with partners to identify suitable initiatives and Ofgem to process project proposals. Ultimately, we need to ensure that any initiatives are well designed, are deliverable and will meet the target eligibility group cost effectively.

Question 21:

- **Do you agree that any undelivered rebates in scheme year 7 should be added to a supplier's non-core obligation in 2018/19?**

Yes. But, additionally Ofgem and BEIS should work with suppliers to share good practice which increases the likelihood of rebate vouchers being redeemed by PPM customers and investigate other options for rebates to this group of customers who are more likely to be in fuel poverty than other customers.

Question 22:

- **Do you agree the timeframe for Ofgem to respond to notifications should be amended from 28 calendar days to 20 working days?**

To help speed up the process the Committee would advocate a reduction in responding to notifications to 14 working days given the delay in the start of the scheme year to allow new initiatives time to get off the ground and meet their delivery targets.

Question 23

- **Do you have any other comments you would like to make?**

No.

Yours sincerely,

David R Blakemore

Chair, Committee on Fuel Poverty