



Committee on Fuel Poverty

CFP response to Warm Home Discount 2021/22 Consultation questions

The Committee on Fuel Poverty (CFP) is an Advisory Non-Departmental Public Body sponsored by the Department for Business, Energy and Industrial Strategy (BEIS). Its role is to advise the Government on tackling fuel poverty in England. For further details on CFP's current and past work in taking forward its remit, please see its webpage [here](#). We welcome the proposal to extend the Warm Home Discount (WHD) for a further year. WHD's have the potential to play an important role in alleviating fuel poverty whilst fuel poor households are waiting for the energy efficiency ratings of their homes to be improved.

Our comments on this consultation should be seen in the context of our remit to advise Government on the delivery of its legal commitment to improve as many as is reasonably possible fuel poor homes to Fuel Poverty Energy Efficiency Rating (FPEER) Band C by 2030. The FPEER credits the financial benefits of the Warm Home Discount by a fuel poor households against the energy costs for the home.

To define a household as fuel poor, the strategy uses a definition of:

- **High Cost** – households have required fuel costs that are above the national median level and
- **Low Income** – 'Income' is defined as Adjusted After Housing Cost income. This is the household income after deducting mortgage, rent and council tax and then adjusted for the number and age of householders (i.e. the higher the number of householders, the higher the required income). 'Low' means that were the household to spend on the required fuel cost, they would be left with a residual Adjusted After Housing Cost Income which is below the poverty line (60% of the median level).

In shorthand, this is termed '**Low Income**' and '**High Cost - LIHC**'. Where we refer to 'income', this is shorthand for Adjusted After Housing Cost Income. The Low Income threshold is currently £13,925 per annum + required fuel costs and the High Cost threshold £1,181 for annual household energy bills.

When developing recommendations on how to design the Warm Home Discount, we have applied the following fuel poverty strategy guiding principles from the [2015 Fuel Poverty Strategy](#).

Guiding principles which should underpin Government's decisions on actions to take to reach the fuel poverty strategy milestones and target.

- **Prioritisation of the most severely fuel poor.** Households living in severe fuel poverty face the highest costs of maintaining an adequate level of warmth in the home. They also face some of the starkest trade-offs between heating the home and spending on other essentials, including nutrition which leads to health exacerbations.
- **Supporting the fuel poor with cost-effective policies.** Adopting a cost-effective approach means getting the best returns for all the investments made in tackling fuel poverty.



Committee on Fuel Poverty

- **Reflecting vulnerability in policy decisions.** Some fuel poor households are more at risk from the impacts of living in a cold home than others, even if they are not necessarily the most severely fuel poor. It is right to consider the particular needs of the vulnerable.

The three main programmes for supporting payments of energy bills and improving the energy efficiency of homes that are outlined in the fuel poverty strategy are the Warm Home Discount, Winter Fuel Payment and the Energy Company Obligation. Despite repeated commitments made by previous governments to improve the targeting on fuel poor households, the £2.5 billion per year total budget for these three programmes remains very poorly targeted at those most in need, with only circa 15% being received as assistance by fuel poor households.

We do not support the proposal to leave the Warm Home Discount allocation criteria unchanged for a third year in a row, as this would continue to exclude circa 80% (circa 2 million) of the fuel poor households without the support of a discount on their fuel bills. The fuel poor households who would not receive WHD's would effectively be paying a £14 supplement on their fuel bills, to provide those more able to pay with a discount. This is clearly unfair. **We recommend that Government should act on the commitment made by previous governments to make better use of data to substantially improve the targeting of WHD's on the fuel poor and those most in need.**

The main reason for the poor targeting in the proposal is that Government continues to rely on the use of receipt of benefits as a proxy to identify those in fuel poverty and those most in need. Whilst this ensures that the scheme is mainly focused on households on lower incomes whose circumstances have been assessed and qualify for benefits, it takes no account of household energy efficiency levels (see LHC above) and also precludes eligibility of the 51% of fuel poor households who are not in receipt of benefits. It also targets WHD's based on income, versus adjusted after housing costs income. Furthermore, it 'stacks up' the receipt of multiple benefits to certain groups (i.e. low-income pensioners receive pension credit, winter fuel payment and warm home discount).

Our recommendations below for the design of the 2021/22 WHD are based on how to make best use of the proposed WHD budget by targeting it on those most in need. We recognise that this would result in some current WHD recipients no longer being eligible for WHD's in future years. It should not be inferred that, if our recommendations are acted on, we believe that all those excluded from future WHD programmes are not in need of support to pay their energy bills. It would however be for Government to decide whether or not to expand the WHD budget so that, in addition to a much higher percentage of fuel poor households receiving WHD's, some or all of the current recipients continue to receive WHD's from future programmes.

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

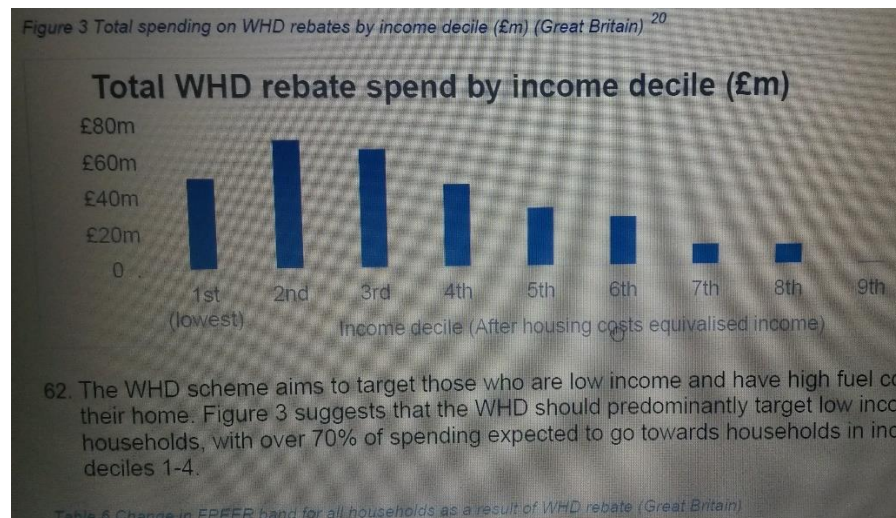
Yes.



Committee on Fuel Poverty

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

No. We do not agree to the Core Group element of the WHD remaining unchanged. The Impact Assessment demonstrates that assistance to pay fuel bills in the proposal is poorly targeted at those in fuel poverty and those most in need of assistance to pay their fuel bills. Only 19% of WHD recipients are fuel poor. 77% of fuel poor households are in equivalised after housing costs income deciles 1 and 2, whereas the proposal is to pay WHD's to households with equivalised after housing costs incomes up to decile 8. This is clearly unfair.



Whilst we welcome the extension of the WHD programme, our recommendation is that it should be amended to significantly improve targeting assistance to those most in need of assistance with their fuel bills. Government should make better use of the data available within Government, to help identify those most in need and pay the WHD automatically to them. If preparations for making better use of data are not yet in place and a dependence on the use of receipt of benefits is still necessary for the design of the 2021/22 WHD, we recommend using the Cold Weather Payments benefits criteria as a proxy. This would raise the targeting efficiency to circa 35% of fuel poor households.

The 2015 Fuel Poverty Strategy included an introduction by Amber Rudd who recognised that programmes such as the WHD require much better targeting to those most in need. 'This means facing up to a number of challenges. Making sure we can reach some of the most vulnerable customers - including those most affected by living in a cold home. Using Government data to improve targeting rates so that we can make more progress faster.' The BEIS Industrial Strategy also recognises the importance of making best use of data with an objective to 'Put the UK at the forefront of the artificial intelligence and data revolution'.

The door was opened in 2017 for government to utilise a wide range of data available within government and other sources with the approval of the Digital Economy Act 2017 Regulations. The CFP



Committee on Fuel Poverty

have demonstrated that utilising data and advanced statistics/artificial intelligence can substantially improve targeting of programmes and that there are no substantive legal barriers to using these tools in government policies as shown in this [report](#).

The current WHD programme for 2019/20 and 2020/21 was approved in March 2018 and was basically a two year roll-over of the 2018/19 programme (i.e. no attempt to make improvements to targeting). However, a commitment was given to amend the future scheme using the Digital Economy Act to 'target WHD more accurately at households most likely to be in fuel poverty' for 2020/21. It was stated that consultations on the changes for the 2020/21 WHD programme would commence' later in 2018', however no such consultation took place and a further one year roll-over is being now proposed (i.e. three years with no change in targeting efficiency).

We continue to recommend that all of the existing sources of funding reported as fuel poverty programmes (Winter Fuel Payment, Warm Home Discount and Energy Company Obligation) are better targeted on meeting the 2030 target. Currently less than 15% of the £2.5 billion per year total budget is received as assistance by fuel poor households. Only circa 20% of the total budget is spent on energy efficiency measures with the balance assisting recipients to pay their fuel bills. Poor targeting and a disproportionately high percentage of budgets spent on helping households with paying energy bills, are the main reasons why we forecast that the fuel poverty strategy 2020 milestone of 'as many as is reasonably practicable fuel poor households achieving Band E' will be missed. We have and continue to recommend both increasing the percentage of budget spent on energy efficiency and the amount of assistance received by fuel poor households.

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

No. See answer to question 2.

4. For energy suppliers only: how many of your Broader Group recipients were eligible under the mandatory criteria and how many under additional criteria approved by Ofgem in scheme year 9? How many of your Broader Group recipients in scheme year 9 were also Broader Group recipients in scheme year 8 and scheme year 7? We have provided a template for this.

N/A

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

The Committee believes that more funds are required for energy efficiency interventions to meet the fuel poverty strategy 2025 milestone and 2030 target, 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



Committee on Fuel Poverty

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.

The roll out of smart meters which in principle allow households to better monitor usage and avoid debt build up should be encouraged.

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

Yes. Customers should not be allowed by energy companies to fall into substantial amounts of debt and limiting the write-off to £2,000 will encourage early interventions by energy companies to stop the level of debts escalating.

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

Yes. The WHD programme is very poorly targeted at those most in need – only 20% of fuel poor receive WHD's. Energy suppliers should be incentivised to seek out and help customers who require assistance but who do not qualify for a WHD payment. The fact that under the current scheme criteria, energy suppliers do not make much use of this element of the WHD programme, emphasises the need to change the targeting criteria.

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

Yes. Given the underspend of the current scheme, there would appear to be no need to increase the limit.

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

Yes. This ensures that low income and fuel poor customers who do not qualify for a WHD are assisted.

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

Yes, if this advice is properly tailored and reflects the customer's situation. For example, where customers are already under-consuming, they might not be able to respond to energy saving messages but might benefit from the convenience (PPM) and longer-term tariff offers.

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



Committee on Fuel Poverty

Yes

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

The same standards should apply as are required for ECO and the Green Homes Grant and should be upgraded in line with any new standards for assessing properties.

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

Yes. Where work is undertaken in the homes of vulnerable and low-income customers companies should guarantee quality standards are met.

14. Do you agree that the supplier participation thresholds should remain unchanged for scheme year 2021/22? Warm Home Discount Extension for Scheme Year 11 (2021/22).

No. Thresholds should be reduced to 50,000 domestic customers.

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

N/A

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

N/A

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

N/A

18. Do you agree with removing the second reconciliation?

N/A



Committee on Fuel Poverty

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

N/A

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

N/A

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

N/A

Yours sincerely,

David R Blakemore
Chair, Committee on Fuel Poverty

Members: Liz Bisset; Jenny Saunders, CBE; Anuradha Singh; Paul Massara; Lawrence Slade