



Committee on Fuel Poverty

Warm Home Discount June 2021 Consultation - Better targeted support from 2022

Response from the Committee on Fuel Poverty

The Committee on Fuel Poverty (CFP) are an advisory Non-Departmental Public Body sponsored by the Department for Business, Energy & Industrial Strategy (BEIS). We monitor and provide independent, expert advice on Government's strategy to improve the energy efficiency of the 3.2 million homes of the fuel poor in England to make them more affordable to heat. This response relates only to the proposed Warm Home Discount programme recipients in England.

In our July 2021 report [Committee on Fuel Poverty interim report July 2021 - GOV.UK](#) we made the following recommendation for the design of the 2022 to 2026 Warm Home Discount (WHD) scheme:

Recommendation 3: The future WHD should primarily be focused on households with incomes of deciles 1 to 4 and who live in Band D/E/F/G homes (note - 76% of the fuel poor are in deciles 1 and 2 and 24% are in deciles 3 and 4). A minimum target of 60% of WHD energy bill rebates automatically being provided to fuel poor households should be used when designing the 2022/23 and beyond schemes. Rather than just utilising receipt of benefits as criteria for eligibility, we continue to recommend that techniques outlined in Recommendation 2 (see below) are used to identify fuel poor households for eligibility.

Recommendation 2: The targeting of schemes on fuel poor households should be substantially improved through the use of greater sharing of data between HMRC, DWP, MHCLG and BEIS, and in particular a more balanced approach of what constitutes a benefit to consumers. We would like to see greater use of open data matching and accessing third party data sources without risking General Data Protection Regulation issues. This necessitates more resources to be allocated to data management, Machine Learning and Artificial Intelligence (AI) modelling; and also improved levels of working with third parties (e.g. universities and others) to share ideas and technology to enhance AI techniques. This could be further supported by UK Research and Innovation funding directed to better use of data in cost-effectively targeting assistance to those most in need.

The original recommendation of applying data matching to improve the focus of programmes on assisting the fuel poor was made by the Parliamentary Under Secretary of State for Climate Change in the 2015 fuel poverty strategy [Cutting the cost of keeping warm - GOV.UK](#). However, it is disappointing that successive governments have not made this a priority.

Although improved versus the current WHD programme, it is disappointing that the proposed overall level of targeting fuel poor for the 2022 to 2026 programme is only 47%. Whilst we support many of the Consultation's proposals that improve targeting of WHD's on the fuel poor, we are again extremely disappointed at the proposed continued use of receipt of benefits as a proxy to identify recipients for WHD's. 1.5 million (46.1%) fuel poor households are not in



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receipt of benefits and will therefore continue not be considered for automatic eligibility for a WHD. This means that although living in fuel poverty, these 1.5 million households will have their energy bills increased by £19 per year (£28.5 million per year in total), in order to provide WHD's to other recipients, most of whom are in less need of assistance. This is fundamentally unjust and contra to Government's commitments to focus programmes on those most in need, made in the recently published fuel poverty strategy for England [Sustainable warmth: protecting vulnerable households in England - GOV.UK](#).

We urge government to adopt our recommendation to focus the WHD programme on those most in need.

Response to Consultation Questions

Improving the targeting of the scheme

1. Do you agree with the proposal to keep the eligibility for the current Core Group (Pension Credit Guarantee Credit recipients) unchanged, becoming Core Group 1?

We recognise that the WHD programme was originally introduced with the purpose of supporting the most vulnerable by focusing support on low income pensioners. However, as noted in the Impact Assessment, government's understanding and measurement of fuel poverty has changed over time. Latest statistics show that only 700,000 (22%) of the 3.2 million fuel poor households are pensioners. We have not seen data on the level of fuel poverty amongst recipients of Pension Credit Guarantee Credit, but looking at the Impact Assessment data, it appears to be below 30%.

The cost of the proposal to provide WHD's to the 1.03 million recipients of Pension Credit Guarantee Credit is £155 million per year. By the consultation proposing that no overlay of a 'High Energy Cost' criteria is made for those in receipt of Pension Credit Guarantee Credit, the WHD is essentially acting as an income supplement for these households. Whilst not suggesting that recipients of Pension Credit Guarantee Credit are undeserving of income supplements, we consider that it is wrong for government to provide these income supplements by increasing the energy bills of fuel poor households. Instead, we recommend Government should:

1. Act on their own observation that receipt of Pension Credit Guarantee Credit is no longer a good guide for fuel poverty and therefore, income supplements paid to this group should be funded by Government and not paid out of the pockets of those in fuel poverty.
2. Design the Warm Home Discount Programme using the four principles to guide decisions as to how to tackle fuel poverty, as outlined in Government's Fuel Poverty Strategy for England [Sustainable warmth: protecting vulnerable households in England - GOV.UK](#):
 - a. Worst First - Focus policies to upgrade the worst performing homes



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- b. Cost effectiveness - getting the best returns for all investments made in tackling fuel poverty
- c. Vulnerability- consider the needs of those fuel poor who are vulnerable
- d. Sustainability- Ensure fuel poverty policies align with other Government priorities such as Net Zero, air quality and health inequalities

In the absence of Government being willing to use Government funds to help recipients of Pension Credit Guarantee Credit to pay their energy bills (in addition to the Winter Fuel Payment), it would be wrong to withdraw Warm Home Discount's from this group in the new programme. However, it is equally wrong to expect the 3.2 million fuel poor households in England to help pay for these income supplements.

3. Do you agree with the proposal to replace the Broader Group with a new Core Group 2 who receive the rebates automatically, rather than having to apply?

Yes.

We support all WHD payments being automatically paid where possible.

4. Do you agree with the proposed methodology to determine the Core Group 2 and the proposed eligibility criteria, which we estimate would increase the number of fuel poor households receiving the rebate from 47% under the Broader Group to 59% under the Core Group 2?

No.

As proposed, less than 40% of fuel poor households in England would receive a Warm Home Discount in the programme. The targeting efficiency of the programme needs to be significantly increased to enable more households in fuel poverty to heat their homes to more acceptable levels.

We fully support taking measures to improve the focus of programmes such as the Warm Home Discount, Energy Company Obligation and Winter Fuel Payment on those most in need and we welcome the steps taken in this consultation. We fully support the use of data matching proposed to ensure that only those with 'High Energy Costs' qualify for a Warm Home Discount.

However, the criteria suggested for automatic eligibility in Core Group 2 are not consistent with the four principles to guide decisions as to how to tackle fuel poverty made in the recently published Fuel Poverty Strategy for England [Sustainable warmth: protecting vulnerable households in England - GOV.UK](#):

- Worst First - Focus policies to upgrade the worst performing homes
- Cost effectiveness - getting the best returns for all investments made in tackling fuel poverty
- Vulnerability- consider the needs of **those fuel poor** who are vulnerable



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- Sustainability- Ensure fuel poverty policies align with other Government priorities such as Net Zero, air quality and health inequalities

We do not support the continuing use of receipt of benefits as the main qualifying criteria for WHD's as this precludes the 1.5 million (46.1%) fuel poor households who are not in receipt of benefits, from automatically qualifying for a Warm Home Discount. These 1.5 million fuel poor households still have to pay the £19/year (total £28.5 million per year) towards the cost of the Warm Home Discount Programme and will therefore be driven into deeper levels of fuel poverty. The use of receipt of benefits as a proxy also opens up the WHD to automatically quality households with incomes up to decile 8 for eligibility, whereas those in fuel poverty have much lower incomes (76% of fuel poor are in deciles 1 and 2, with the balance of 24% in deciles 3 and 4).

We recommend that, in place of using receipt of benefits as a proxy for 'low income', a similar data matching approach to that used for 'High Energy Costs' is used, together with the use of artificial intelligence/ advanced statistics modelling to identify those households on 'Low Incomes' (as defined in the Fuel Poverty Strategy - i.e. having an adjusted after housing cost residual income below the poverty line - after accounting for required fuel costs). This would help overcome the problem of ensuring that the 46.1% of fuel poor who are not currently considered for an automatic WHD payment are included and will also help ensure that a greater proportion of WHD's are granted to those in income deciles 1 to 4:

We believe it is right that Government mandates eligibility, whilst retaining the Industry initiatives to support other vulnerable and fuel poor households not captured via national data matching.

However, if data matching is not used as a proxy for 'Low Income' we do support the proposed replacement of the Broader Group with a new Core Group 2. We support ceasing to use certain non-means tested benefits as eligibility criteria for the new Core Group 2, as this assists to ensure that more low income households can receive WHD's. We also support the proposal to use data matching to identify households most likely to be living in homes with 'High Energy Costs'.

4. Do you agree with our approach that Government should work with energy suppliers and third-party organisations to ensure there is dedicated support for households with a disability at risk of fuel poverty as part of an Industry Initiative? Please give views on the design and administration of such an Initiative, including the amount of overall funding, the amount of funding available to households, and eligibility.

Yes.

This is consistent with the fuel poverty strategy principle of considering the needs of those fuel poor who are vulnerable.



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Data matching and sweep-up

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

Yes.

We agree with the proposal to use data matching to identify households with 'High Energy Costs' and the use of HMRC tax credit data. However, we recommend that, in place of using receipt of benefits as a proxy for 'low income', a similar data matching approach to that used for 'High Energy Costs' is used, together with the use of artificial intelligence/ advanced statistics modelling to identify those households on 'Low Incomes' (as defined in the Fuel Poverty Strategy - i.e. Having an adjusted after housing cost residual income below the poverty line - after accounting for required fuel costs).

6. Do you agree with Government's proposed use of an imputation methodology to fill in missing data or non-matched data to enable rebates to be delivered automatically to a greater number of people?

Yes.

7. Do you agree with the proposed approach to setting a qualifying date?

Yes.

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

Yes.

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

Yes.

Overall spending targets

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

Yes.

We welcome the fact that the proposed scheme will provide more fuel poor households with assistance to pay their fuel bills, but would recommend additional application of data matching, versus a continuing reliance on benefits as a proxy for the fuel poor, so as to make better use of the WHD budget to assist those most in need.



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11. Do you agree with the proposed approach to apportionment of the total spending targets to Scotland from April 2022, currently equivalent to around 9.4%?

Yes.

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

Yes.

This will ensure suppliers develop meaningful programmes and partnerships to support their most vulnerable customers in line with licence conditions

13. Do you agree with the proposed approach to use Industry Initiatives targets to balance the spending uncertainties created by the two Core Groups, through an adjustment before the start of the scheme year and a further, more limited adjustment in year, which are capped at £10 million from the Industry Initiatives' base spending obligation each scheme year?

It would be helpful that companies understand their responsibilities and duties for the period of the policy and that eligibility can be promoted via front line agencies with certainty and clarity.

However, if further data sharing can be shown to improve the targeting of support to those most in need, then a review of the scheme should be undertaken and amendments made to the Core Group.

14. Do you agree that the value of the rebate should be set at £150 for the duration of the scheme and that payment of the rebate should be as per current rules?

Yes.

The level of rebate at £150 is acceptable but the assistance should be better targeted at those most in need, including the 46.1% of fuel poor households who are not in receipt of benefits.

15. Do you agree with the proposal to keep the scheme year as now, running from April to March?

Yes.



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Industry Initiatives

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

Yes.

17. Do you agree that such financial assistance should continue to be capped per household per scheme year? If so, should this be capped at £150, or at a higher level?

Yes.

It should be capped at £150 per year to be fair to other households.

18. Do you agree that a £3 million portion of the energy debt write-off cap should be reserved for customers with pre-payment meters (PPMs) who are self-disconnecting or are at risk of self-disconnecting?

No.

Only 27.4% of fuel poor households use an electricity pre-pay meter and only 22.9% for gas. Therefore, any limiting of debt relief to just pre-pay customers would not be well targeted at those most in need.

19. Do you think that the cap on debt write-off should be reduced from £6 million to £5 million overall, and from which scheme year should this take place?

Yes.

20. Do you agree that the individual debt-write off cap should continue to be capped at £2,000? If you think an alternative cap should be set, for instance more in line with average energy debt levels, please provide your reasons.

Yes.

The WHD cost is recovered from all energy customers, including those in fuel poverty. It would therefore be unfair have a higher cap. Where the debt is the result of poor systems and communication by the company they should recover the debt from profits.



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21. Do you agree that the installation of mains gas boilers to replace existing boilers that have ceased to function properly should only be permitted in households with a specific vulnerability to cold, as outlined?

No.

The eligibility criteria for a mains gas replacement needs to more closely match the definition of households living in fuel poverty (i.e. Low Income, Low Energy Efficiency - LILEE). Living in fuel poverty can also impact mental health and be of detriment to young people's education by not having warm rooms in which to work from. The proposed eligibility criteria do not match the LILEE criteria and therefore (for example the proposal to include all people over 65 when only 22% of pensioner households are fuel poor), do not identify those most in need.

22. Do you agree that boiler replacements should be limited to £8 million per scheme year from 2022/23?

Yes.

£8 million is 20% of the Industry Initiative budget and seems fair.

Supplier participation

23. Do you agree that the obligation threshold for the whole scheme should be reduced from April 2022 to 50,000 domestic customer accounts? If not, what would you suggest is a more appropriate threshold and why?

Yes.

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

Yes.

25. Please provide evidence of costs of delivering Core Group rebates, your estimated costs of delivering to Core Group 2, and the costs of setting up Industry Initiatives (specifying if this is a multi-supplier scheme), in cost per pound of support delivered.

26. Do you agree with the proposed continuation of the arrangements for the reconciliation mechanism, extending to cover both Core Group 1 and Core Group 2, and that this should similarly continue in Scotland, in the event that the current WHD scheme continues in Scotland?



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27. Do you agree that we should continue with the current Supplier of Last Resort (SoLR) arrangements and not introduce a mandatory requirement for a SoLR to take on the WHD obligations of a failing supplier? What alternative arrangements could be put in place that may encourage the SoLR to take on those obligations, including in relation to Industry Initiatives?

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

Yes.

29. Do you agree that from 2023 we introduce a second customer number reporting date?

Administration of the scheme

30. Do you agree that Ofgem should continue to act as the operator of the reconciliation mechanism for the scheme?

Yes.

31. Do you agree that energy suppliers with multiple licences should be permitted to consolidate under one licence?

Yes.