



## **Energy Action Scotland (EAS) response to BEIS's Consultation: Energy Bills Support – Managing the Impact of the Energy Price Shock on Consumer Bills Scheme**

### **About Energy Action Scotland**

Energy Action Scotland is the Scottish charity dedicated to ending fuel poverty. Energy Action Scotland has focussed on this single issue since its inception in 1983 and has campaigned on the issue of ending fuel poverty and delivered many practical as well as research projects to tackle the problems of cold, damp and hard to heat homes. Energy Action Scotland works with both the Scottish and the UK Governments on energy efficiency programme design and implementation. Energy Action Scotland welcomes the opportunity to respond to this consultation.

### **Background to this response**

Across the UK, cold homes are already damaging the lives of the poorest households. Bills rocketed in April. Alongside similar unprecedented increases in Northern Ireland, the GB-wide rise is a disaster for those who were already struggling to pay their bills and it leaves over 6.5 million households in fuel poverty across the UK. Before October 2021, 4 million households in the UK were in fuel poverty – struggling to afford to keep their homes warm and safe. In Scotland, the latest Scottish Government estimates suggest that, as of 1 April 2022, as a direct result of 3 consecutive increases in the capped standard variable tariffs for gas and electricity, over 1 in 3 households in Scotland are in fuel poverty.

So far, in reaction to this energy crisis, the UK Government has taken several actions which impact on households in Scotland.

Firstly, an allocation of funding to the Scottish Government resulting in a £150 council tax rebate that will go to households with a council tax banding of A-D, and an allocation of funds to assist households outside of the scope of the council tax support.

Secondly, the Energy Bills Support Scheme, which will enable each British household to 'heat now, pay later' this winter'; a £200 rebate that will have to be paid back through energy bills in the subsequent 5 years.

We believe that this scheme as described in this consultation provides a wholly inadequate, untargeted and ineffectual in providing a quantum of support to those households that need it the most. It will be especially unfair on prepayment meter customers, failing to assist them when they need help the most and is likely to be unable to prevent increases in self-disconnection. This is because prepayment customers, as well as those in arrears, will be less able to access the benefits of the scheme, while the costs will be recovered in a regressive way, through increased standing charges.

As the scheme must be paid back by all consumers, we do not believe it will have a material impact on levels of fuel poverty. BEIS appears to recognise this and some of these concerns have been articulated in the consultation document, yet no solutions are proffered.

Experts, analysts, and industry organisations all predict that the price cap could increase by a further £600, or more, in October 2022, and there is an imperative to ensure that whatever support is available has the maximum impact ahead of the winter.

## **Summary of our Response**

The Energy Bill Rebate scheme provides a £200 electricity rebate for households ahead of Winter 2022/23, followed by a £40 annual levy on electricity bills for the subsequent five years. We believe that households, particularly low-income vulnerable fuel poor households, are in desperate need of financial assistance and we are deeply concerned about the 'support' described in the consultation in the following ways:

- Certain groups of households, households already in arrears/debt and those with older per-payment meter arrangements, are at risk of receiving less, or no benefit from the rebate half of the scheme. The consultation identifies these issues but does not address them.
- The recovery of the levy puts a disproportionate burden on the poorest households to pay for a policy that they are less likely to benefit from. Future repayment charges will form a greater proportion of low-income household energy bills as they generally are able to consume less. The repayment levy will further reduce their ability to consume adequate levels of heat and power.
- This is an inadequate solution for the poorest households that seems to have been driven from the perspective of naïve simplicity. It will not provide a quantum of relief or comfort to vulnerable low-income households. The circumstance of households is complex and there are clear inequalities and unfairness's arising because of this levy.
- The administration costs of the scheme will be passed through to consumers, meaning that over a 6-year period, every household's energy costs will have increased more than the original levy, because of the scheme being implemented. There are substantial administrative costs to disburse these funds and ultimately, they need to be recovered or paid for, as it stands this inflates the costs of repayment.

We believe that the £200 should be applied as a non-recoverable grant to households, particularly to those that would qualify for support through the Warm Home Discount, which is woefully inadequate having fallen in real terms from approximately 13% of energy costs in 2018 to less than 8% on 1 April 2022 and set to fall further as costs rise. We are concerned that BEIS has inflicted further damage to the prospect of the effective mobilisation of funds through the Warm Home Discount through the unnecessary separation of the scheme for Scotland from England and Wales. Proposals for Scotland looks set to increase the lottery for households eligible for Broader Group support whilst providing no significant improvement in the number of households in receipt of automatic payments through data matching with social security.

## **Our response to this consultation**

*Question 1 – a. Do you agree with our approach to how we have considered customer eligibility to the scheme? Yes/No. b. Are there any other household living arrangements we should consider? Yes/No. Please provide any reasoning to support your response.*

Yes. However, there is little consideration given to homes off-gas reliant on oil or lpg. In Scotland this remains a significant proportion of households in the areas of highest fuel poverty, our islands and large parts of the Highlands/Argyll and Bute.

*Question 2 – a. Do you agree with the proposed qualifying date, provisionally set at 23:59 GMT on 3 October 2022? Yes/No. b. Given this qualifying date, do you agree with the associated processes linked to it, as set out in the section titled ‘Delivering the bill reduction to eligible customers’? Yes/No. Please provide any reasoning to support your response.*

N/A

*Question 3 – Do you agree with proposals that suppliers should provide all eligible customers that they serve on the qualifying date with the reduction as quickly as possible and within six weeks, and by no later than 31 March 2023 for hard to-reach customers? Yes/No. Please provide any reasoning to support your response.*

Yes, and efforts must be made to ensure that hard to reach customers, who are often the most financially vulnerable, receive support as soon as is possible. 31st March 2023 is effectively after the winter, and the benefit at that point will be scant conciliation for those who have had chosen to ration their heating, living in a cold home over winter. This is particularly true for large parts of Scotland where typically temperatures, wind chill and other climatic phenomena are prevalent throughout the winter months. The climate in the UK is by no means even in how it treats our citizens.

*Question 4 – Suppliers will need to notify their customers in writing once the Scheme reduction has been applied to their account. How could this process be made as effective as possible, while limiting administrative burdens? Please provide any reasoning to support your response.*

N/A

*Question 5 – Under what circumstances do you think it would not be reasonably practicable for suppliers to provide the payment? Please provide any reasoning to support your response.*

Suppliers should endeavour to provide the payment to their customers in all circumstances, as households who do not receive the support will not be able to avoid paying for the scheme in subsequent years. Any failure to reach customers is not the sole responsibility of suppliers as we believe that this remains a shared responsibility with the UK Government.

*Question 6 – Do you agree with the proposals to spread the benefit for Direct Debit customers over six months? Yes/No. Please provide any reasoning to support your response.*

Yes, we agree with this proposal.

*Question 7 – Do you agree with the proposal for pay-on-receipt customers to feel the benefit of this Scheme in their next bill after the qualifying date? Yes/No. Please provide any reasoning to support your response.*

No, we believe that households should receive the rebate gradually over winter, as per the proposal for direct debit customers.

*Question 8 – Do you agree with the proposal for payment card customers to receive the full amount on their next quarterly bill after the qualifying date? Yes/No. Please provide any reasoning to support your response.*

No, we believe that households should receive the rebate gradually over winter, as per the proposal for direct debit customers.

*Question 9 – Are you aware of any reasons why payment card customers might need to receive the reduction across more than one bill? Yes/No. Please provide any reasoning to support your response.*

We believe regular payment will enable customers to budget more effectively.

*Question 10 – Do you agree with the proposal for customers with smart prepayment meters to have the full amount credited to their meters as soon as possible after the qualifying date, where feasible? Yes/No. Please provide any reasoning to support your response.*

No, we believe that households should receive the rebate gradually over winter, as per the proposal for direct debit customers.

*Question 11 – Do you agree with the proposal for the £200 to be issued via vouchers and/or SAMs to traditional prepayment meter customers? Yes/No. Please provide any reasoning to support your response.*

No we believe that the best way to ensure that prepayment customers receive the rebate would be through a reduction in the standing charge. This could be applied either through a negative network charge, or through a negative policy cost, and is achievable because of the separation of prepayment away from credit customers in the setting of the default tariff price cap.

*Question 12 – For traditional prepayment meter customers, do you agree with the proposal that vouchers and/or SAMs should be valid until 31 March 2023, in line with the date for reconciling grants provided vs grants delivered? Yes/No. Please provide any reasoning to support your response.*

No, we do not support the provision of vouchers, our preference is for a reduction in standing charges.

*Question 13 – Do you agree with the proposal that vouchers and/or SAMs should be provided in five vouchers of £40 each? Yes/No. Please provide any reasoning to support your response.*

See our answers to question 11/12.

*Question 14 – Do you agree that traditional prepayment customers should be able to use vouchers for both electricity and gas (dual fuel vouchers)? Yes/No. Please provide any reasoning to support your response.*

See our answer to questions 11/12

*Question 15 – Do you agree with the proposal for how to cost-effectively encourage traditional prepayment customers to redeem the Scheme vouchers/SAMs? Yes/No. Please provide any reasoning to support your response.*

See our answer to questions 11/12

*Question 16 – a. Are you aware of any consumer groups who will not be reached by applying the reduction to electricity accounts? Yes/No. b. Please provide details of which group(s), why they will not be reached and how you would suggest we reach them? Please provide any reasoning to support your response.*

No, we are not aware of the specific demographics of households that are not connected to the electricity grid.

*Question 17 – Do you agree with the proposed approach to providing the grant to customers with different forms of energy debt? Yes/No. Please provide any reasoning to support your response.*

No. households who are in arrears will have rebate will be applied to the arrears. The consultation document states that this “may mean that some customers will not see a reduction in their electricity bills as the full value of the reduction will go towards their debt.” This approach will not make energy more affordable for those indebted customers without debt repayment plans in the Winter 2022/23 and will in effect just defer their debt to future years, a minimal benefit, and not the intention of the scheme.

*Question 18 – Do you agree with this definition of bad debt? Yes/No. Please provide details of when customer debt would be classified as bad debt and how this is subsequently treated by their energy supplier.*

Yes

*Question 19 – Please provide evidence of how many domestic electricity customers currently have bad debt and how this might change over the next year. Please provide quantification and methodology where possible.*

N/A

*Question 20 – Do you agree with the way in which we are proposing to fund suppliers? Yes/No. Please provide any reasoning to support your response.*

N/A

*Question 21 – Do you agree with the proposal that suppliers should be required to report on delivery of the funds after the six-week period and the associated reconciliation process? Yes/No. Please provide any reasoning to support your response.*

Yes, we agree with this proposal.

*Question 22 – Do you agree that applying the levy on a per meter basis would be the simplest approach to deliver and would impose the least administrative costs on the sector? Yes/No. Please provide any reasoning to support your response.*

No, it appears to be the cheapest route albeit not necessarily the most impactful. Nor should the simplest approach be deemed to have the greatest inherent merit. If the scheme has safeguards introduced to ensure that 'no one misses out' this will inevitably incur further costs which combined with the approach proposed will return lower value from money than applying the funds more directly to the daily standing charge.

Success should be measured on the outcomes that the support seeks to provide.

The consultation document sets out the five principles by which the scheme has been developed: Simplicity, Reach, Cost, Clarity and protections (for Government). Simplicity seems to have been afforded a position above all other principles.

It is incredibly frustrating that the overriding guiding principle appears to be that "the Scheme needs to be as administratively simple as possible to ensure it can be delivered on time and to keep costs as low as possible". This ultimately means trading off the impact/benefit of the scheme to the poorest households in favour of simplicity and reducing cost. This will inevitably lead to poorer outcomes for those that need help the most.

*Question 23 – Do you agree with our proposal for applying the levy to all DNOs? Yes/No. Please provide any reasoning to support your response.*

Yes, we agree with this proposal.

*Question 24 – Do you agree that the proposal outlined would keep the levy administration costs to a minimum for DNOs, whilst still providing the necessary assurance for the levy? Yes/No. Please provide any reasoning to support your response.*

N/A

*Question 25 – Do you agree with our proposal that the levy will be charged on a per meter per day basis, according to electricity meter points served in each DNO's network? Yes/No. Please provide any reasoning to support your response.*

No. Please see the response to question 22.

*Question 26 – Do you agree that increasing standing charges is, in comparison to other routes, a preferable way to recoup the levy from domestic customers? Yes/No. Please provide any reasoning to support your response.*

No. Please see the response to question 22.

*Question 27 – Do you agree that the steps outlined above to provide notice to DNOs ahead of the first levy collection, and the notice period for subsequent years, are sufficient? Yes/No. Please provide any reasoning to support your response.*

N/A

*Question 28 – What are your views on how any instances of under or over-collection should be managed? Please provide any reasoning to support your response.*

Over-collection, should it occur, could be used towards a fund that exists to support prepayment households or ultra-vulnerable households that self-disconnect or are at risk of self-disconnection.

*Question 30 – Do you agree with our rationale for proposing that levy payments should be made to the Payment Body quarterly? Yes/No. Please provide any reasoning to support your response.*

N/A

*Question 31 – Do you agree with our proposal that DNOs should provide quarterly meter point data to the Payment Body to inform quarterly levy payment calculations? Yes/No. Please provide information about the availability of meter point data and the formats that it could be provided in.*

N/A

*Question 32 – Do you agree with the proposal of using the existing collateral mechanism set out in schedule 1 of the Distribution Connection and Use of System Agreement? Yes/No. Please provide any reasoning to support your response.*

N/A

*Question 33 – Do you agree with the proposal that the Payment Body may report and publish information on non-compliance and enforcement action? Yes/No. Please provide any reasoning to support your response.*

N/A

*Question 34 – a. Do you agree that there should a mechanism to address late payments by DNOs to the Payment Body? Yes/No. b. If not, what alternative mechanism would you propose? Please provide any reasoning to support your response.*

N/A

*Question 35 – For the transfer of grants to suppliers, do you agree that the proposed reporting requirements strike the right balance between having the ability to effectively monitor delivery of the Scheme whilst imposing the least reporting burden on suppliers? Yes/No. Please provide any reasoning to support your response.*

N/A

*Question 36 – Do you agree that these reporting requirements should be set out in the Ministerial direction? Yes/No. Please provide any reasoning to support your response.*

N/A

*Question 37 – Do you agree that the proposed reporting requirements for the levy strike the right balance between having the ability to effectively ensure money is recovered and imposing the least reporting burden on DNOs? Yes/No. Please provide any reasoning to support your response.*

N/A

*Question 38 – Do you agree that Ofgem’s current powers, and approach to enforcement of licence conditions, should be mirrored for this Scheme? Yes/No. Please provide any reasoning to support your response.*

N/A

*Question 39 – a. Do you agree with the additional costs set out in table 3? Yes/No. b. Are there any other costs of administrating the Scheme we should consider? Yes/No. Please provide any reasoning to support your response.*

N/A

*Question 40 – a. Which element of the additional costs would you consider to be the largest or most burdensome? b. How could these costs be reduced? Please provide any reasoning to support your response.*

N/A

*Question 41 – a. Do you agree that the administrative processes required to implement the Scheme are similar to elements of other policies such as the GER, WHD and the Green Gas Levy? Yes/No. b. If not, why do you think the Scheme will differ? Please provide any reasoning to support your response.*

N/A

*Question 42 – a. Do you expect the administrative burden and cost to consumers to differ between a scenario where the levy is collected via energy suppliers vs by network companies? Yes/No. Please provide any reasoning to support your response.*

N/A

*Question 43 – a. Can you provide a quantification of all, or any, of the elements outlined in table 3 and other costs you anticipate? Yes/No. Please provide any reasoning to support your response. b. Can you provide any further reasoning about the costs involved in delivering payments to customers? Yes/No. Please provide any reasoning to support your response.*

N/A

*Question 44 – Do you agree with the way in which we are planning to treat supplier costs? Yes/No. Please provide any reasoning to support your response.*

No, we do not believe that supplier costs should be passed through to customers. This would mean that, on aggregate, each customer ends up paying more than the £200 rebate in increased bills in the subsequent five years, which would be unacceptable, meaning that every single household loses out from the scheme overall in terms of the amount they pay for energy to 2028. The UK Government, Treasury, should cover the cost to suppliers from public fund, in order to avoid that situation.

*Question 45 – Do you agree with our assessment on how energy suppliers and network operators would expect to recover any additional administrative costs due to the Scheme? Yes/No. Please provide any reasoning to support your response.*

No. See our answer to question 44.



*Question 46 – Do you have any other concerns regarding the costs of implementing the Scheme that have not been addressed in this consultation? Yes/No. Please provide any reasoning to support your response.*

N/A

Submitted by:

Frazer Scott

CEO, Energy Action Scotland

23 May 2022