

Response to DECC Consultation: Warm Home Discount: extension to 2015/16



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Introduction

Energy Action Scotland (EAS) is the Scottish charity with the remit of ending fuel poverty. EAS has been working with this remit since its inception in 1983 and has campaigned on the issue of fuel poverty and delivered many practical and research projects to tackle the problems of cold, damp homes. EAS works with both the Scottish and the UK Governments on energy efficiency programme design and implementation.

EAS welcomes the opportunity to respond to this consultation.

Fuel Poverty in Scotland

The Scottish Government is required by the Housing (Scotland) Act 2001 to end fuel poverty, as far as is practicable, by 2016 and plans to do this are set out in the Scottish Fuel Poverty Statement. The number of Scottish households living in fuel poverty dropped from 756,000 (35.6%) in 1996 to 293,000 (13.4%) in 2002. Half the reduction was due to increases in household income, 35% to reduced fuel prices and 15% to improved energy efficiency of housing¹. The most recent figures² from the Scottish House Condition Survey Key Findings Report show that there were 647,000 households living in fuel poverty in Scotland in 2012, representing 27% of total households.

According to figures produced by the Scottish Government³, for every 5% rise in fuel prices an estimated 46,000 more households become fuel poor. Based on these figures EAS estimates that there are currently 900,000 households, more than four in ten, in fuel poverty in Scotland. This significant increase in fuel poverty is widely accepted to be due to the dramatic increases in domestic fuel prices and EAS is very concerned about the impact on vulnerable customers.

Given its remit, EAS's response to this consultation focuses primarily on those areas that it considers most likely to impact on fuel poor and vulnerable consumers.

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Consultation Responses:

1 Do you agree with the Core Group eligibility criteria remaining in place for those people in receipt of Pension Credit Guarantee Credit?

Given the extent to which fuel poverty impacts on pensioner households, EAS believes that the current Core Group eligibility criteria should remain in place, not least because most pensioners have a fixed income that does not keep pace with increases in fuel costs. In 2012, 48% of Scotland's single pensioner households were classed as fuel poor, whilst 34% of 'older, smaller' households were also fuel poor⁴. This compares with a Scotland wide average of 27%.

¹ Fuel Poverty in Scotland: Further Analysis of the Scottish Housing Condition survey 2002

² Scottish House Condition Scotland Key Findings Report 2012

³ Estimate of Fuel Poverty Households in Scotland: Scottish House Condition Survey March 2011

⁴ Scottish House Condition Scotland Key Findings Report 2012

2 To what extent do the current Broader Group criteria act as a barrier to switching, and if they do how could this be addressed cost-effectively?

DECC has concerns that Broader Group criteria might act as a barrier to switching. However, there is no statistical evidence that this is the case. There are those at present who might lose out on Broader Group WHD by switching, just as there are others who might gain in WHD terms by switching. Access to WHD has rarely been cited as a reason for switching.

EAS understands that DECC (and Ofgem) believe that consumers can benefit from greater competition, and DECC acknowledges in its consultation paper that allowing supplier variations in WHD eligibility allows suppliers to 'differentiate themselves and compete in the market'. However, the only competition that would be stimulated by standardising the criteria is competition among eligible consumers. Additionally, an increasing number of those who switch are switching to smaller suppliers. Most of these suppliers are not participating in the WHD scheme.

One of the possible benefits to standardising minimum eligibility criteria is the potential for raised awareness amongst those eligible. Standardised eligibility would undoubtedly make it easier for support organisations to promote the WHD to vulnerable clients. The 'down' side to this of course is that it may raise expectations that can't be met, because eligibility would still not confer automatic entitlement. The overall amount available for distribution would still be capped and the rebate would continue to be distributed on a first come, first served basis.

3 Would the potential benefits of moving to a standard set of compulsory criteria outweigh the potential disadvantages? What could any compulsory criteria be (e.g. which benefits or tax credits), and why?

This consultation covers a WHD extension period of only one year. EAS believes that introducing standardised minimum criteria for such a relatively short period would not be productive and might incur additional costs.

DECC's intention to introduce minimum criteria across all participating suppliers might make more sense if WHD was being extended for a longer period, or if there was an indication of what any successor programme of support might be. There would also still be a concern that expectations would be raised that couldn't then be met.

4 Do you agree that a higher number of Broader Group applications should be verified? If yes, how could this be done in a cost effective manner?

EAS believes that a 5% verification rate is adequate. DECC might want to consider whether there is scope within some of the Industry Initiatives (those offering face-to-face advice, or income maximisation services, for example) to provide additional verification when they refer clients for Broader Group WHD.

5 Do you agree with the proposal to reduce future non-core obligations by up to 5% of the current non-core spending obligations in the event of overspend? Do you have any suggestions on the level of overspend?

DECC amended the Scheme Regulations for 2013-14 to counteract a forecast underspend on the Core Group, essentially caused by a gross miscalculation of the number of people

eligible for the WHD rebate. DECC describes this as a one-off change. WHD is a capped amount and there should be no reason for an overspend on non-Core WHD.

6 Do you have views on whether there are particular challenges for smaller suppliers in delivering their Broader Group obligations? Would any of the changes proposed above introduce new challenges for smaller suppliers?

EAS has no particular views.

7 What are your views on the Government putting in place a cap on the amount suppliers are able to spend on debt assistance through the Industry Initiatives section of the Warm Home discount scheme? What do you suggest the cap could be?

When Industry Initiatives were introduced as a separate strand of WHD, several concerns were expressed about the extent to which innovation (in terms of developing and implementing effective solutions for fuel poor and vulnerable households) was being stifled. The types of project eligible for support were pre-determined by DECC and set within very specific and restrictive parameters. Unless there are already plans in place for a successor scheme, it is difficult to understand why DECC now wants to limit spending for a support mechanism (that they specified as allowable) that has only one more year to run.

8 Do you agree with the proposed option for suppliers to provide eligible park home residents a rebate through the Industry Initiatives portion of the scheme? Please provide the details of any solutions you may have on the practicalities of delivery and communications.

EAS agrees that park home residents (and others living in a similar situation) should be eligible for WHD rebates. However, EAS does not believe that this should form part of the Industry Initiatives strand of the scheme. Park homes residents who meet either Core or Broader Group criteria should receive support through these two strands. EAS understands that the current 'non-eligibility' of park home residents is on the basis that rebates can only be paid to those that have an electricity account with a participating supplier. Just as Scheme Regulations were amended previously to ensure expenditure targets could be met, EAS believes that Scheme Regulations could again be amended, this time to facilitate eligibility for park home residents (as well as for others living in a similar situation e.g. some BMOs). In order to raise awareness amongst park home residents, local authorities could be encouraged to provide site details to suppliers, or perhaps via the Energy Saving Trust and its network, in order to promote the Scheme and facilitate access.

9 Do you agree that participating energy suppliers should be given the option to deliver Industry Initiatives to help eligible households:

- Living off the gas grid
- With health problems and/ or a disability
- Living in communities where residents are wholly or mainly in fuel poverty

EAS is supportive of this and believes that energy suppliers already have the option to deliver Industry Initiatives to the categories outlined above?

Those without access to mains gas and households where there are long-term health issues/disability invariably have to spend a higher proportion of their income on fuel and

are more likely to suffer fuel poverty, and fully warrant being able to access all the support that's available.

DECC suggests a number of activities that could be supported, for example the provision of renewable heating systems or solid wall insulation. EAS would only be supportive of such measures for households not eligible for ECO, or where these responsibilities lie with a social housing provider.

EAS would be interested to know what DECC (and Ofgem, when considering approval for Industry Initiative submissions) considers 'fuel poverty' to be, now that England has a significantly different definition. It seems inherently inequitable that there might be households in each country living in similar conditions and that one might be eligible for support by being classified as fuel poor, but the other households might not.

10 Do you agree that participating energy suppliers in the Warm Home Discount should provide energy efficiency advice alongside other Industry Initiative measures? Please explain your answer.

EAS believes that energy efficiency advice should be an integral part of any energy efficiency and fuel poverty initiative. Fuel poor and vulnerable households are often amongst the hardest to reach and are most likely to benefit from face-to-face advice, tailored to need and delivered by a trusted intermediary. Industry Initiative applicants should be encouraged to incorporate energy advice and advocacy into their projects wherever possible.

The findings from OPM's recent research⁵ for Ofgem, though not empirical, provides evidence that energy advice – in particular face-to-face advice – is beneficial at a number of levels.

11 Do you agree that the value of the rebate should remain at £140? If not, please explain your answer.

EAS agrees.

12 We would like to understand more about the costs of delivering the WHD. Please provide any costs you think will help Government understand more about the administration of the policy.

No response

13 How should market shares be calculated for the purposes of setting the non-core spending obligation? Please provide evidence for your answer.

No response

14 How should non-core spending obligations be apportioned where they include an adjustment for an over or underspend in the previous Scheme year? Please provide evidence for your answer.

No response

⁵ Warm Home Discount - Energy Advice - Consumer Experiences Report to Ofgem July 2014

General Comments

EAS supports the intention to extend the WHD to 2015-16. However, EAS believes that DECC is overstating what it sees to be the potential benefits of adopting Policy Option 2 i.e. its preferred option, in light of the fact that WHD will only have one more year to run.

DECC's Impact Assessment summarises Option 2 as being an extension to the current scheme with minor amendments to the Industry Initiatives strand. It downplays the additional changes suggested for the Broader Group eligibility criteria and the potential costs of implementing these changes. The Analysis & Evidence does not include the suggested changes to Broader Group eligibility criteria either.

Regardless of whether or not there are changes made to eligibility for the Broader Group, the amount available is capped and not everyone who is eligible will receive a rebate. Broadening access via the Industry Initiatives makes some sense in terms of targeting (off-gas households and households where health is an issue are likelier to be fuel poor), but in reality, Industry Initiatives are already able to target these areas – reaching fuel poor households was always part of the remit. Facilitating access to WHD for park home residents and others living in similar situations seems fair for the individuals, but those eligible in terms of all but a supply name/address should be incorporated into the Core and Broader Group strands of WHD in order to receive a rebate.

Government now funds WHD. EAS believes that they now have an inherent responsibility to raise awareness about what WHD is and who is eligible. For the Core Group, for example, such awareness-raising might also encourage take-up of Pension Credit (rather than Pension Credit being used to drive take-up of WHD). Pension Credit has always been under-claimed, to the tune of around £2.5 billion per year at present, so not only are people losing out on benefits to which they're entitled, they are also losing out on access to additional support mechanisms such as WHD.

EAS repeats that we would be interested to know what DECC (and Ofgem, when considering approval for Industry Initiative submissions) considers 'fuel poverty' to be for WHD purposes, now that England has a significantly different definition.