



# EAS Response to BEIS Consultation: Warm Home Discount Scheme 2018/19

April 2018

## **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.

## **Fuel Poverty in Scotland**

The official figures for fuel poverty in Scotland are published as part of the Scottish House Condition Survey (Scottish Government). The most recent figures for Scotland relate to 2016<sup>1</sup>. Figures released by Scottish Government show that 26.5% (or around 649,000) households were fuel poor and 7.5% (or 183,000 households) were living in extreme fuel poverty. This is a fall since the previous year when 748,000 households (30.7%) were fuel poor.

Many people in society are affected, but specific examples include:

- Around 10% of households living in fuel poverty are families with children.
- The large majority of fuel poor households are owner occupiers (58%), 31% are social housing residents and the remaining 11% rent in the private sector.
- Older households are at the high end of the fuel poverty rate at 41%.
- The fuel poverty rate for rural households remained at a similar level to the previous year (the difference between the rates of 37% in 2016 and 35% in 2015 is within the margin of error).

About a third of the drop in the annual fuel poverty level in 2016 is due to making homes in Scotland more energy efficient, while around two thirds are due to lower domestic energy prices. This underlines how important it is that the energy efficiency of homes should continue to be improved, as the trend in falling domestic energy prices has reversed for many householders, particularly in off-gas areas where Scottish oil (kerosene) prices have on average moved from a low of 30p per litre (February 2016) to a current price of 54p per litre (April 2018), representing an 80% increase over 2 years.

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

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<sup>1</sup> Scottish Government, 2017. Scottish House Condition Survey 2016: Key Findings.

## Consultation Questions

- 1. Do you agree that the cap on Industry Initiatives spending should increase from £30 million to £40 million in 2018/19?**

Energy Action Scotland agrees that the cap on industry Initiative spending should increase from £30m to £40m.

- 2. Do you agree that a Local Authority declaration under ECO Flexible 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?**

EAS supports the suggestion that a Local Authority declaration under ECO-Flex should count as household eligibility for Industry Initiative support, but that this should exclude 'Infill' households.

- 3. Do you agree that the cap on debt write-off should reduce from £12 million to £10 million in 2018/19?**

Whilst the debt write-off element of WHD is a valuable 'activity', the number of clients who continue to experience fuel debt suggests that writing off or reducing the debts of those in fuel poverty is not a practical stand-alone solution. EAS agrees that the cap on this element should reduce, freeing up funding that can be spent on other initiatives offering a range of supports (including tailored, face-to-face energy/debt advice).

- 4. Do you agree that the cap on debt write-off should continue to reduce by 5% in each subsequent scheme year?**

EAS agrees that the cap on debt write-off should continue to reduce by 5% in subsequent years.

- 5. 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?**

EAS agrees that the list of Industry Initiative activities should include financial assistance with energy bills and rebates to households in fuel poverty as well as those at risk of becoming fuel poor.

EAS believes that where rebates are issued, this would be a particularly welcome opportunity to ensure that these households benefit from face-to-face energy advice tailored to individual need, as well as bill-related advice.

EAS believes that rebates should also be available to those who are eligible for the WHD rebate under Broader Group criteria, but who do not receive it because eligibility does not always confer entitlement. Many of those who are eligible do not receive the WHD rebate because full spend has been reached. Those who are customers of non-obligated smaller suppliers, but would otherwise be eligible, should also be able to receive a rebate via Industry Initiatives.

- 6. 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.**

EAS does not believe that a cap should be set. If a project secures funding via Industry Initiatives to deliver energy and debt advice, each household that receives this tailored face-to-face advice should be given the opportunity to receive a rebate/financial assistance if required.

- 7. Do you agree that financial assistance with energy bills per household should be equivalent to the amount of the WHD rebate (£140)?**

EAS agrees that the rebate/financial assistance should be set at the same level as the WHD rebate.

- 8. Do you agree that Government should issue Regulations covering the scheme until 2020/2021 with the proposed review clauses?**

EAS agrees that the Government should issue Regulations with the proviso that the proposed review clauses are included in the Regulations.

- 9. 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?**

EAS agrees that Core Group eligibility should be retained for 2018/19.

- 10. Should the Government consider further reform to the Core Group eligibility in future?**

EAS believes that the Government should continue to review eligibility for the Core Group.

- 11. Do you agree that we should amend the Broader Group standard criteria to include UC recipients in work or self-employed with monthly net earnings not**

**exceeding £1,349, and maintain the other qualifying criteria (i.e. in receipt a limited capability for work element, or a disabled child element, or parental responsibility for a child under the age of 5)?**

No response.

**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 the Limited Capability for Work (LCW) group?**

No response.

**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?**

EAS believes that the Government should continue to review eligibility for the Broader Group. If the proposals outlined within this consultation are implemented, more people become eligible, a move which is to be welcomed.

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

EAS agrees that the value of the rebate should remain at £140 for 2018/19.

**15. Do you agree with the current supplier obligation threshold?**

EAS has long held concerns regarding the impact of pass-through costs on the bills of fuel poor and vulnerable households. Under 'normal' circumstances, EAS would not be supportive of any change that resulted in higher bills because of supplier obligations. However, where the WHD is concerned, EAS believes that the participation threshold should be reduced. This would ensure that customers do not lose their entitlement to a rebate if they switch to providers who are currently not obligated to deliver WHD (and whilst the larger suppliers still serve the vast majority of customers, the current trend is for customers to switch to smaller suppliers).

EAS understands that market entrants and small suppliers face proportionately higher costs than their larger counterparts. EAS believes that the Government might, as an alternative, consider establishing a centralised WHD fund into which small suppliers (50,000 customers?) would pay on a pro-rata basis. This fund could be distributed for example via Industry Initiatives for the sole purpose of providing the previously suggested rebates – a variation on match funding in effect.

If the Government adopts this approach, they might also consider reviewing the current set spend envelope, to ensure that more fuel poor customers benefit from WHD.

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

EAS believes that the example provided (requiring energy suppliers to provide Core Group rebates up to a set time beyond the obligation period and notify their customers of a change in their circumstances) would adequately address the issue.

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

EAS agrees that the scheme year should end in March 2019.

**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?**

EAS does not believe that there should be a reduction.

**19. Do you foresee any issues or risks associated with allowing suppliers to start Industry Initiative activities before the regulations are in place?**

EAS does not believe there is any significant risk in allowing suppliers to start Industry Initiatives before the Regulations are in place.

**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 year?**

EAS agrees with the proposed deadline.

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

EAS agrees that any undelivered rebates in scheme year 7 should be added to a suppliers' non-core obligation in order to ensure that an optimum number of vulnerable customers benefit. Alternatively (and assuming that suppliers can evidence that they have made all reasonable attempts to ensure delivery targets are met), funding could be allocated to a centralised fund which could then be allocated as rebates via Industry Initiatives.

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

EAS is disappointed that the Ofgem response timeframes are not being reduced. There is a negligible difference between 28 calendar days and 20 working days.

**23. Do you have any other comments you would like to provide?**

No response.