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Dear Sirs

## Energy Action Scotland response to the Warm Home Discount Scheme Consultation

### Introduction - Energy Action Scotland

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 welcomes the opportunity to make comment on the DECC Warm Home Discount Scheme consultation.

### Response to the consultation questions

#### ***Q1. Do you agree that the Core Group eligibility criteria should be retained for those people in receipt of Pension Credit Guarantee Credit in 2016/17?***

In the main yes, however, the UK Government must seize the opportunity to introduce new primary powers to extend data-sharing with suppliers to further automate WHD in a new Data-sharing Bill later this year. This will allow all energy suppliers to cost effectively deliver rebates automatically to all Core Group and Broader Group households (including low income working families) from 2017. The Government must also consider providing better resources to identify eligible households for Pension Credit as this is still a significant issue for older person's representative groups and in doing so ensure that the data matching within Pension Credit does not exclude vulnerable customers.

Analysis undertaken by EAS's sister organisation NEA suggests that if all 3.4 million eligible Core Group and Broader Group households (including low income working families) received an automatic WHD rebate valued at the current amount of £140 this would increase the current spending envelope by £156 million from £320 million to £506 million (including spending on Industry Initiatives). If all energy suppliers were to be obligated under this new approach WHD scheme and using Ofgem's current cost allocation methodology - then the cost of delivering this preferred option would be an approximate increase of £6, or 0.5 per cent, on an average annual dual fuel bill of £1,292. EAS now believes that the time is right to extend the obligation to all

suppliers regardless of size unless they can prove that their tariffs offer a great saving to vulnerable customers than that of the £140 Warm Home Discount.

**Q2. Do you agree that we should keep the Broader Group element unchanged?**

Yes, current recipients of the Broader Group need to continue to benefit from this policy after being bought into the standard criteria that all participating suppliers have adopted for their Broader Group schemes since last year.

**Q3. Do you agree that the value of the rebate should be £140 in 2016/17?**

Yes, however, whilst the consultation notes that that the rationale for the rebate to be kept at £140 in 2016/17 is that energy prices have continued to remain broadly stable over the last 2 years, the Competition Market Authority (CMA)'s Energy Market Investigation found that consumers could have paid £1.7 billion a year less for their gas and electricity bills over the last three and a half years had the competitive markets been working effectively. Had the markets been working more effectively as suggested by the CMA then the £140 Warm Home Discount would have purchased more fuel for those vulnerable customers in receipt of it and so been even more effective.

**Q4. Do you think the current range of activities that count as Industry Initiatives represent value for money? Are there any other activities that should qualify as Industry Initiatives that currently do not? Are there any activities that currently count as Industry Initiatives that you think should not? Please provide evidence to support your answers.**

EAS understands from its member organisations who provided face to face advice to vulnerable and fuel poor consumers that funding from the Industry Initiative pot would allow them to provide a more effective service and in doing so provide significant benefits to low income and vulnerable customers by way of debt and fuel advice. The generic programmes such as Energy Best Deal, while important do not provide the level of hand holding needed in supporting vulnerable customers and while it is difficult to fully evaluate the impact of one to one advice sessions EAS believes these to be worthy of support from the Industry Initiatives funding stream.

**Q5. What are your views on suppliers having the option to achieve part of their Industry Initiatives spend through contribution to a central pot of funding in future years, which could then be used to fund innovative approaches to reaching and supporting those in greatest need?**

While supportive of this approach, and the opportunity for the Government to link this requirement to the lowering of the threshold so that all energy suppliers are obligated to deliver the WHDS rebate or pay into an industry initiatives pot from 2017, EAS would suggest that there are many successful projects that have already been funded by the Industry Initiative spend and it is often not "Innovation" that needs funding but success and projects that meet a need. There is only so much innovation that can be delivered in supporting vulnerable and fuel poor households we know what works and what requires having continuation funding.

**Q6. Do you agree that Government should place a cap on the amount of each supplier's Industry Initiative spend that can be spent on debt assistance? What are your thoughts on the cap being set at 50% of each supplier's Industry Initiative spend in 2016/17?**

While EAS supports a cap on debt assistance EAS would wish to see greater evidence to support the suggested 50% cap. As the size of the Warm Home Discount spend is determined by customer base and assuming that each obligated supplier has a different customer debt profile, arbitrarily setting a mark of half may introduce an inequality of approach from suppliers across the country, creating an environment where some can "afford" indebted customers and other cannot as they reach their debt cap.

**Q7. Do you agree that there should be no provision for any overspend to reduce future non-core obligations?**

EAS agrees that the ability of suppliers to carry-over obligation spend has an impact on the ability of suppliers and other organisations to forecast the level of activity expected over successive years.

**Q8. Should spending targets be adjusted so that actual spending reflects the number of PPM customers benefitting from the rebate?**

EAS would wish to understand how material any 'headroom' is and how in future this would need to be spent. EAS is also aware that any additional reporting requirements to calculate actual spending should not lead to any undue administrative burden but assuming these queries can be responded to adequately, EAS would support this proposal.

**Q9. Do you foresee any issues with the scheme year for 2016/17 running from August to May?**

Given the time constraints outlined in the consultation, EAS believes that suppliers will need to be provided with this flexibility but we strongly support the need for future years to return to an April to March scheme after 16/17. To provide reassurance that this adjustment is temporary, this could be stipulated within the wording of the statutory instrument.

**Q10. Do you foresee any issues or risks associated with allowing suppliers to start Industry Initiative activities before the regulations are in place?**

Given the time constraints outlined in the consultation, EAS believes that suppliers will also need to be provided with this flexibility and coupled with the proposal in question 7 (treatment of suppliers to carry-over obligation spend) this should not have any impact on future years.

**Q11. Do you foresee any issues with suppliers having the option to pay the rebate on customers gas accounts?**

EAS welcomes this flexibility for customers to choose which fuel is discounted. Given that it is often gas consumption for space heating that is self-rationed during the winter months this proposal could help or encourage customers to use the gas they need to adequately heat their homes.

**Q12. If the scheme is made cheaper to deliver from 2017/18, should the participation threshold be reduced below 250,000 domestic customer accounts? What would be the costs and benefits of such a change?**

EAS notes that the 250,000 threshold was established to protect emerging supply businesses from the unbalancing effect of administration on Supplier Obligations. Should a light touch admin route exist for Warm Home Discount spend then there similarly should be no reason to extend the 250,000 threshold into the future scheme. However a related matter is the effective DWP data matching. This would need to be robustly applied across the Core and Broader group categories in order for this same light touch administrative route to exist for the £140 rebate payments. There should be no reason if smaller companies can be informed who to rebate that they are exempt from the scheme. The question should be asked of the suppliers with less than 250,000 customer base, for vulnerable customers, if they can demonstrate that their tariffs are at least worth £140 less than the average of all obligated suppliers. If this is not the case, then we are effectively legislating for smaller companies to be able to charge vulnerable consumers more for their energy. It may appear to be a cheaper tariff, but factoring for the £140 discount for some consumers means they are really paying more for their energy.

Alternatively EAS would suggest that Government ensures all energy suppliers are obligated to deliver the WHDS. This can be achieved by:

- a) Any supplier below 50,000 customers should be required to pay into an industry initiatives pot from 2017.
- b) Any supplier above 50,000 customers but below 250,000 should pay into an industry initiatives pot from 2017 and deliver any rebates that can be made through data-sharing (i.e. current core group or, with the advent of additional data-sharing, all Core Group AND Broader Group households (including low income working families) from 2017).
- c) And finally, all suppliers over 250,000 should be required to deliver the full industry initiative activities and regardless of additional data-sharing, a rebate to all Core Group AND Broader Group households (including low income working families) from 2017.

Following these recommendations is the best way to ensure that all households in need receive support from this GB wide policy as well as removing the key barrier to low income and vulnerable consumers switching to an increasing number of smaller suppliers and therefore benefiting from a competitive energy market. Key to this is recognising the true purpose of the Warm Home Discount Scheme is to support vulnerable energy consumers and in particular those on the lowest incomes who struggle to pay for energy, despite this being an essential service.

Yours faithfully



Norman Kerr  
Director