

Consultation Response

Warm Home Discount: Better Targeted Support from 2022.

Department for Business, Energy, and Industrial Strategy (BEIS)

August 2021

Contact: david.southgate@ageuk.org.uk

All rights reserved. Third parties may only reproduce this paper or parts of it for academic, educational or research purposes or where the prior consent of Age UK has been obtained for influencing or developing p6p.96 842.04 reW*nBT/F3 12 Tf1 0 0 1 56.664 345.41 Tm0 g0 G[(fo)-5(

About this consultation

This consultation proposes to extend the Warm Home Discount (WHD)

Overall, we see the proposed reforms of the WHD as a positive step towards improved eligibility and targeting. We welcome the continuation of the scheme and its inclusion of CG1, CG2 and the Industry Initiatives. The proposed reforms represent a significant step forward in realising the commitments of the Energy White Paper and addressing energy insecurity and fuel poverty. Our responses to the consultation questions reflect our primary concern that whilst the proposed reforms are positive, they could create additional problems with access which need to be addressed.

Question 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 welcome the continued inclusion of PCGC recipients within CG1. However, there continues to be a major gap in the scheme for numerous older people who are on low incomes but are not in receipt of PCGC and therefore do not qualify for CG1. A significant proportion of older people who are eligible for PCGC do not receive the benefit. DWP data from 2019⁴ shows that an estimated 30% of those eligible (560,000 people) do not receive PCGC. This group of 560,000 are likely to have a higher fuel poverty rate than those with access to PCGC, as incomes will be lower for those without access to the benefit. Further improvements to the fuel poverty targeting rate of the WHD can therefore only be achieved with improvements to the accessibility of PCGC. BEIS needs to commit to better supporting PCGC take-up amongst eligible older people. Digital exclusion, poor literacy, health conditions, disabilities and not having English as a first language can all reduce access to benefits. This means that those who lack access to PCGC and other benefits often have existing vulnerabilities. This will require concerted efforts by BEIS and DWP to improve up-take and eliminate barriers to access. This should be an additional commitment of the WHD scheme on top of the existing benefits advice Industry Initiatives provide.

Question 2: 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?

In principle we agree with this approach and welcome its addition. However, there needs to be an accessible mechanism whereby claimants can challenge decisions to not award the rebate. Individuals should have recourse to easily and accessibly challenge decisions which they believe are due to incorrect automatic estimated heating costs. If an essential component of CG2 eligibility is based on estimated energy costs, then these assessments should also reflect the often higher energy costs of older people who frequently heat their homes for longer periods. Many older people face high energy costs without necessarily being classed as fuel poor. Retired households have the highest median fuel costs and the highest fuel poverty gap compared to households of other employment statuses⁵, while many older people spend longer at home and are more likely to live with health conditions which require more heating or energy use, such as for dialysis or oxygen⁶. Also, older homes are more likely to be larger and less efficient. It is essential that CG2 energy assessments therefore reflect the often-higher energy costs of older people. This is particularly important for older people who have not yet retired or reached pensionable age so do not get access through CG1. It is also critical that the heating cost estimates account for the household's heating system rather than just the size, type, and age of a property.

the Industry Initiatives is also welcome, as this will cover potential gaps in the data matching process and eligibility assessments for CG1 and CG2

new licence conditions set by Ofgem which mean they shoul

as stated in the response to Q23, we call for clarity at the point of sale and other customer facing comms, about whether a supplier is a WHD provider.

Question 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.

Question 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?

We agree with the proposed approach.

Question 27: Do you agree that we should continue with the current Supplier of Last Resort (SoLR) arrangements and not introduce a mandatory requirement for an 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?

Whilst, as stated, most suppliers honour the WHD commitments of failed suppliers, BEIS's proposed changes to the WHD scheme will result in a larger number of medium and small suppliers having WHD obligations. This may result in a reduced level of adherence to the existing status quo. Incentives (e.g., Ofgem taking WHD commitments into account in appointing the SoLR) will continue to encourage SoLR's to take responsibility for a failed supplier's WHD commitments. However, we believe that the Government and regulator should step in as a last resort to cover any missed WHD commitments when a supplier fails and the SoLR does not honour the failed supplier's commitments. It is also critical that there is better data matching in the event of a supplier failing. This will ensure a simpler transfer of information regarding customers' WHD eligibilities, upcoming rebates, and Industry Initiative commitments from the failed supplier to the SoLR.

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

We support the proposal.

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

We agree with this approach and welcome its addition.

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

We agree with this approach.

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

¹ ONS, 2020. *Excess winter mortality in England and Wales: 2019 to 2020 (provisional) and 2018 to 2019 (final)*. Office for National Statistics. [Online]. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/excesswintermortalityinenglandandwales/2019to2020provisionaland2018to2019final#excess-winter-mortality-by-sex-and-age> [Accessed 19/08/21].

² DWP, 2020. *Income-related benefits: estimates of take-up: financial year 2018 to 2019*. Department for Work and Pensions. [Online]. Available at: <https://www.gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-2018-to-2019> [Accessed 19/07/21].

³ BEIS, 2021. *Warm Home Discount: Better targeted support from 2022*. Department for Business, Energy and Industrial Strategy. [Online]. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/997206/warm-home-discount-reform.pdf Accessed 28/06/21. Page 12.

⁴ DWP, 2020. *Income-related benefits: estimates of take-up: financial year 2018 to 2019*. Department for Work and Pensions. [Online]. Available at: <https://www.gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-2018-to-2019> [Accessed 19/07/21].

⁵ BEIS, 2021. *Annual Fuel Poverty Statistics in England, 2021 (2019 data)*. Department for Business, Energy and Industrial Strategy. [Online]. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966509/Annual_Fuel_Poverty_Statistics_LILEE_Report_2021_2019_data.pdf. [Accessed 05/08/21].

⁶ BEIS, 2021. *Annual Fuel Poverty Statistics in England, 2021 (2019 data)*. Department for Business, Energy and Industrial Strategy. [Online]. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966509/Annual_Fuel_Poverty_Statistics_LILEE_Report_2021_2019_data.pdf [Accessed 05/08/21].

⁷ DWP, 2021. *DWP benefits statistics: May 2021*. Department for Work and Pensions. [Online]. Available at: <https://www.gov.uk/government/statistics/dwp-benefits-statistics-may-2021>. Accessed 26/07/21.

⁸ BEIS, 2021. *Annual Fuel Poverty Statistics in England, 2021 (2019 data)*. Department for Business, Energy and Industrial Strategy. [Online]. Available at: <https://www.gov.uk/government/statistics/fuel-poverty-detailed-tables-2021>. [Accessed 05/08/21].

⁹ BEIS, 2021. *Annual Fuel Poverty Statistics in England, 2021 (2019 data)*. Department for Business, Energy and Industrial Strategy. [Online]. Available at: <https://www.gov.uk/government/statistics/fuel-poverty-detailed-tables-2021>. [Accessed 05/08/21].

¹⁰ Age UK, 2021. *Briefing Paper: Digital inclusion and older people how have things changed in a Covid-19 world?*. Age UK. [Online]. Available at: <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/active-communities/digital-inclusion-in-the-pandemic-final-march-2021.pdf> ~~https://assets.ap~~