



A grassroots campaign taking action against mammoth fuel bills and working towards an affordable, sustainable and democratic energy system

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Fuel Poverty Action's response to BEIS Consultation on the Warm Home Discount Scheme 2021/22

Introduction:

Fuel Poverty Action (FPA) welcomes the publication of this consultation for a one year extension of the Warm Home Discount. During this extraordinary time, many people's personal finances are under intense pressure and the loss of this established support, at this time, without a viable alternative, would be unthinkable. Overall, the proposals within the consultation move the scheme forward in a positive direction. However FPA has the following concerns:

The current situation demands a much more substantial redistribution of resources than is being accomplished by means of the WHD and other measures (eg benefits) combined. As the Bank of England's chief economist, Andy Haldane warns, inequality is growing. Many corporations and private individuals are vastly increasing their wealth, while other people cannot afford to keep warm. In terms of energy, wholesale prices have fallen substantially without any equivalent benefit to customers, despite the belated change in the price cap. Your consultation assumes that the overall spending on WHD does not increase, and we have largely stayed within that framework below, but we do not think it is right.

In fact something much bigger than WHD adjustments needs to happen. We do not think that should be delayed by the pandemic as you suggest in your Executive Summary. The pandemic only makes it more urgent.

Even if the framework of support continues to be a Warm Home Discount, there is a need to accelerate wider reforms of the scheme. This consultation contains welcome proposals for reform, but it is clear that these tweaks in rules will only serve to remove support from one group to improve support for others. A broader set of reforms is needed to increase the financial envelope of the scheme and to ensure that it can support all of the households that need it. Additionally, broader reforms of the scheme should:

- Ensure smaller suppliers are also required to provide all elements of the scheme
- Ensure the WHD is better designed, ensuring that more customers know about it and there are more channels to apply for it via Industry Initiatives. We note that currently, there is no information available to frontline advice organisations, or consumers, as to which suppliers and their delivery partners, under the Industry Initiatives component of the scheme, are offering direct financial assistance in the

form of vouchers/rebates to fuel poor/vulnerable households who are not eligible for a rebate/voucher under core or broader group WHD eligibility criteria.

Given that suppliers and their delivery partners are encouraged to ring fence this specific form of direct financial assistance for fuel poor/vulnerable households at risk of self-disconnection, or unaffordable energy consumption due to failing heat networks, it is deeply frustrating that there is no readily available information signposting advisors and consumers to access this support. This information is essential and must be made available as part of the scheme. BEIS and Ofgem should utilise ¹inclusive design principles so that the scheme works well for the people that benefit from it.

- We are glad to see the recognition of the desperate position of heat network customers whose heat and hot water fail and who cannot afford to use alternative sources of heat. We believe that payments to cover the extra costs in this situation should be automatic, as compensation for gas or electric outages is, but failing that inclusion in the voucher scheme is welcome. However there is another group of people in a similar position: people whose cladding and insulation have been removed post Grenfell, but have not yet been replaced. This situation can go on for many months, and even years. Especially in a tower block exposed to the wind, residents who have in many cases had to live with a serious fire risk for years are now at risk of cold, damp, and mould. As with heat network customers, there should be automatic payments to cover the extra costs, but inclusion in the voucher scheme would be a step forward.
- Encourage all energy suppliers to implement the new WHD policy before the start of the new phase of the scheme, and work with their customers to see whether the WHD is meeting their needs
- Encourage suppliers to continue making sure consumers have access to hardship grants, and energy/fuel debt advice
- The scheme must deliver for fuel poor households in the context of growing utility debt. The COVID-19 crisis has exacerbated the issue of energy affordability in the short term, reducing incomes and increasing energy usage.
- BEIS must give confidence that the scheme will go live on April 1st 2021. The spending envelope available for the Industry Initiative portion of the scheme is relatively small, but the value of these projects per pound spent is significantly larger than the value of rebate. And while the rebate scheme is likely to be relatively unaffected by a delay in the legislation coming into force, there has been a growing concern over the summer about the impact that the delays to this consultation will have on the scoping and subsequent delivery of projects to run during Scheme Year 11 (SY11). FPA welcomes the proposals to mitigate risk but BEIS must commit to do all it can to expedite these regulations to ensure that the scheme can transition to a new year with minimal difficulties.
- Keep the financial assistance eligibility criterion of customers living in communities wholly or mainly in fuel poverty.
- Move forward with proposals to use the WHD II programme to help accelerate the rollout for the most vulnerable households.

- Take forward the proposals regarding Trustmark, PAS 2030:2019 and PAS 2035: 2019.

Our Response to the Consultation Questions

Question 1 - Do you agree the size of the rebate should remain at £140 for 2021/22? If not, what size do you think the rebate should be, and why?

Yes. FPA believes that the increase to the scheme envelope would be better focussed on ensuring that more people in the broader group receive a rebate, than those who receive a rebate receiving more money. In Scheme Year 8, just over 1.1m households in the broader group received a rebate, NEA and Fair by Design have estimated that a further 0.8m households qualify as part of the broader group but do not receive it due to its first come first serve rebate. ⁽ⁱⁱ⁾ Such a mechanism, where a household is judged as being in need but does not receive support is unfair.

The outcome of the proposals is likely an increase in the number of broader group households receiving rebates. While this does not solve the fairness issues, it is a step in the right direction.

Question 2 - Do you agree that the Core Group element of the Warm Home Discount scheme should continue unchanged for a one-year extension, to scheme year 2021/22?

Question 3 - Do you agree that the Broader Group element of the Warm Home Discount scheme should continue unchanged for a one-year extension, to year 2021/22?

Yes, the Core Group and Broader Group elements of the scheme should remain unchanged for the one-year extension. We understand that this is important in order to give the regulations the best chance of moving through parliament as quickly as possible.

Question 5 - Do you agree that the cap on debt write-off should remain at £6 million for scheme year 2021/22?

FPA agrees that debt write off should not be reduced any further.

Question 6 - Do you agree that there should be a cap on individual debt write-off at £2,000 for scheme year 2021/22? If not, provide evidence for alternative levels.

Yes. FPA broadly supports the principle of a debt write off cap at £2,000, but there must be provision for higher value debt to be considered for write-off in exceptional circumstances.. This will allow for more customers to be supported within the limited budget for industry initiatives, while allowing significant debt clearance for potentially more than 3,000 households. We note concerns that suppliers have misused high-value debt write-off initiatives to dispose of bad debt, and this practice, of course, should be discouraged/prevented. But the accrual of high-value consumer debt is an indication of

supplier failings to implement appropriate and timely debt management provision, in accordance with their licence conditions. High-value debt is likely to have arisen in complex and exceptional circumstances so we think it important to allow for this to be redressed.

Question 7 - Do you agree that the restriction on providing financial assistance to Core Group and Broader Group recipients should be removed?

Yes. For the reasons you give. Some people's needs are much greater than others, and for those with health conditions which require more heat or power eligibility under both headings at once could even be life-saving.

Question 8 - Do you agree that the £5 million cap for financial assistance (12.5% overall industry initiative spend) should be maintained for the scheme year 2021/22?

We recognise the risk that if some people can access more help as a result of removing the restriction on financial assistance to Core Group and Broader Group recipients, others will get none at all, including some who are harder to identify and target than those in the core and wider groups. Due to Covid-19, millions more households that were previously able to afford their energy costs, are now struggling to pay their bills, or holding back from topping up their meters, and no-one knows when this situation will improve. The only option is to increase the overall level of funding, in line with the principle that no one should go cold or live with a level of energy insufficient for their needs.

Question 9 - Should Government keep the financial assistance eligibility criterion of customers living in communities wholly or mainly in fuel poverty? If not, please provide reasons.

FPA is broadly happy for the Government to keep the financial assistance eligibility criterion of customers living in communities wholly or mainly in fuel poverty. Many whole communities are severely disadvantaged, and people living in such areas face all sorts of problems which reinforce each other. The most urgent and effective community-level action is dealing with the state of repair and energy efficiency of buildings, and landlord practices. But keeping this eligibility criterion at least introduces some small recognition of the need to support a community, and as such is welcome.

We would however, urge the Government to define fuel poverty in this context using the statutory definition of fuel poverty as in the Warm Homes and Energy Conservation Act 2000: "A person is to be regarded as living "in fuel poverty" if he is a member of a household living on a lower income in a home which cannot be kept warm at reasonable cost". Given that the metric for estimating levels of fuel poverty varies across the three nations where the Warm Home Discount operates, this statutory definition provides the fairest way of satisfying the needs of each nation.

Question 10- Do you agree that, in addition to energy advice, advice about the benefits of smart meters should be provided, so far as is reasonably practicable, to every customer benefiting from an Industry Initiative?

Yes, FPA agrees that advice about smart meters should be provided

Question 11 - Do you agree that businesses installing and repairing boilers and central heating systems under the WHD Industry Initiatives should be TrustMark registered from 1 April 2021? Please provide reasons for your answer.

Question 12 - Do you agree that the installations of boilers, in high risk properties and central heating systems in all homes, should be installed in accordance with PAS 2030:2019 and PAS 2035: 2019 from 1 April 2021? Please provide reasons for your answer.

Yes, FPA agrees with the incorporation of TrustMark, for installers to be TrustMark accredited into the scheme and that the installations of boilers in high risk properties and central heating systems in all homes, should be carried out in accordance with PAS 2030:2019 and PAS 2035: 2019 from 1 April 2021. It is essential to ensure that all heating systems and equipment are both safe and optimised for the best possible performance and that installers respect householders' situations, privacy and homes. Where systems are not optimised, the losses can negate savings in both carbon and bills. All government funded schemes should meet the same standards.

It is important to note, however, that recipients of Cavity Wall Insulation have found even the TrustMark scheme failed them, with the industry-funded Cavity Insulation Guarantee Agency (CIGA) as a scheme operator, conflicts of interest were inevitable (see evidence from CIVALLI and parliamentary debates). This means that monitoring of the Trustmark scheme itself, importantly including an independent point of recourse for residents, is essential.

Question 13 - Do you agree with the introduction of technical monitoring for boilers and central heating systems installed or repaired under WHD from 1 April 2021? Please provide reasons for your answer.

While it would clearly be useful to know whether an installation has been completed to the required standards, FPA is concerned that the practical difficulties of achieving this would be difficult to overcome. The trade-off is in costs between technical monitoring and scheme delivery. The delivery of support is significantly more important. We do, however, think it important that robust measures are in place to ensure that customers who suffer the consequences of faulty appliances and/or poorly executed installation under the scheme should be guaranteed swift redress, and that customers should be provided with information about the expected performance of their new equipment.

Question 14 - Do you agree that the supplier participation thresholds should remain unchanged for scheme year 2021/22?

Yes, FPA agrees that for the next scheme year, thresholds should remain unchanged. *However, BEIS should look to reduce them in future reforms of the scheme.*

Question 16 - Do you agree with the requirement for the failing energy supplier to report on their paid and unpaid Core Group and Broader Group customers and Industry Initiative spending incurred? If not, please explain your reasons. We welcome views on potential alternative arrangements.

Question 17 - Do you agree that an SoLR and WHD participant who volunteers to pay non-core obligations of a failing WHD participant should be allowed 10% non-core overspend? If not, why not? If you think a different % should be applied, please explain your rationale.

FPA supports the proposed changes to the scheme to better facilitate the transfer of an obligation when a Supplier of Last Resort process takes place.

Question 20 How might changes to scheme design result in costs to suppliers, for example if eligibility were different in different national schemes, and how could these impacts be prevented or mitigated?

Question 21 - Should supplier thresholds for separate schemes be the same in England and Wales and Scotland? Please provide your reasons.

FPA believes that if the scheme design differs across nations this will be unduly complicated for suppliers, households accessing the scheme, advisers helping households, and organisations that deliver industry initiatives. Although the metric for estimating levels of fuel poverty across the nations differs, the overall aim to help households to keep warm and well over winter does not.

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