



WARM HOME DISCOUNT SCHEME 2021/22

NOVEMBER 2020

Introduction

[Fair By Design](#) welcomes the invitation to respond to BEIS' consultation on the Warm Home Discount Scheme 2021/22.

Please note that we consent to public disclosure of this response.

For more information about this response please contact Carl Packman:

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About Fair by Design

Fair by Design is dedicated to reshaping essential services, such as energy, credit and insurance, so they don't cost more if you're poor. People in poverty pay more for a range of products including energy, through standard variable tariffs; credit, loans and credit cards with high interest rates; and insurance, through post codes considered higher risk. This is known as the poverty premium.

We collaborate with industry, government, and regulators to design out the poverty premium.

Our Venture Fund provides capital to help grow new and scalable ventures that are innovating to make markets fairer.

The Barrow Cadbury Trust manages our advocacy work, and Ascension Ventures manage the Venture Fund.

Our response

Introduction

Fair By Design welcomes the publication of this consultation for a one year extension of the Warm Home Discount.

Our work looks at the poverty premium, and the extra costs of being on a low income. For a variety of reasons, household energy is the biggest share of someone's exposure to the poverty premium. Not being switched to the best fuel tariff can mean that a low income consumer is paying £233 more than others.¹

In addition to not being on the best available tariff, and other poverty premiums specifically, there are other costs that those experiencing fuel poverty may incur.

Households living below the poverty line have higher than average energy costs, according to figures from BEIS. Because of reasons like poor energy efficiency, these households are spending an additional £320 per year on keeping warm compared to those not living in fuel poverty.²

For these reasons, it is of vital importance that schemes are in place to help lower the cost of bills for those on low incomes.

To that end, Fair By Design joined forces with National Energy Action earlier this year to publish a report and launch a campaign to extend and expand the Warm Home Discount.³

The Warm Home Discount has a significant impact on making energy more affordable for households that are struggling to pay their bills, helping them to stay warm and well.

Across the whole market, Ofgem say that in Scheme Year 8 (the latest year with available data), 1.1m customers were provided with a core group rebate, a further 1.1m customers were provided with a broader group rebate, and help was provided to more than 500,000 households through Industry Initiatives.⁴

Since the publication of that report, the UK – and the rest of the world – has been hit with a pandemic that has unavoidably caused a lot of disruption to the work of our organisations.

Understandably, key work within parliament to consider future changes to schemes like the Warm Home Discount were put on hold.

¹ <http://www.bristol.ac.uk/geography/research/pfrc/themes/finexc/poverty-premium/>

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/829006/Annual_Fuel_Poverty_Statistics_Report_2019_2017_data_.pdf

³ <https://fairbydesign.com/news/whd-campaign/>

⁴ https://www.ofgem.gov.uk/system/files/docs/2019/12/whd_sy8_annual_report.pdf

For many people, this has also meant personal finances are under intense pressure. Millions of people across the country are behind with their energy bills as a direct consequence of Covid-19.⁵ Schemes like this will prove a welcome relief.

Fair By Design and National Energy Action formally put our campaign for an expanded WHD scheme on hold. Instead, it is our view that the WHD continue for one year on existing terms. But thereafter, the scheme should be modified to reflect our original ambitions for the scheme.

We are very pleased to see this consultation, and commend BEIS for moving it forward in a timely manner.

Overall, Fair By Design agrees that the proposals within the consultation move the scheme forward in a positive direction.

We agree, for the most part, with the preferred options given by BEIS on the one year extension.

However, we do have some concerns. We will explore these here.

Summary of our recommendations

- We urge government to publish the consultation on the longer-term future of the Warm Home Discount soon to give organisations like our own enough time to properly give advice on what the WHD should look like in the future.
- We urge BEIS to give complete confidence to all concerned that the scheme goes live on April 1st 2021.
- We agree the debt write-off limit being set at £6m is a proportionate response to the fuel debt crisis (as a result of the pandemic), and we believe that the £2,000 per person limit on debt clearance is appropriate.
- There are still changes to the WHD that we want to see made, that BEIS should consider in the context of this consultation. They include:
 - size of the suppliers offering the WHD;
 - ensure all eligible households are aware of the scheme;
 - ensure suppliers are making sure the scheme is meeting the needs of customers; and
 - ensure suppliers make their customers aware of available hardship grants and fuel debt advice.
- We do not want to see the removal of restrictions on providing financial assistance to households eligible for a rebate on the grounds of keeping this restriction will ensure a greater amount of people can be helped by the scheme.

⁵ <https://www.energylivenews.com/2020/08/22/almost-three-million-brits-are-behind-on-energy-bills-due-to-covid-19/>

Our agreement with the consultation options

Firstly, we absolutely agree that in the interests of time, it is correct to consult on the WHD scheme for one year. We also acknowledge and appreciate that the future look and design of the scheme will be decided at a later date. We urge government to publish this consultation soon to give organisations like our own enough time to properly give advice on what the WHD should look like in the future.

For this scheme, we urge BEIS to give all concerned complete 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).

Fair By Design welcomes the proposals to mitigate risk but BEIS must commit to do all it can to accelerate these regulations to ensure that the scheme can transition to a new year with minimal difficulties.

The scheme must deliver for fuel poor households in the context of growing utility debt. One Citizens Advice survey during the summer months of the pandemic found that almost three million households have fallen behind on their energy bills because of the coronavirus.⁶ This number is set to rise further still into the winter months.

On this, we echo our colleagues at National Energy Action in saying that the debt write-off limit being set at £6m is a proportionate response to the crisis, and we believe that the £2,000 per person limit on debt clearance is appropriate.

Challenges to the consultation

There is still a need to accelerate wider reforms of the scheme. One main concern is that tweaks in the rules contained in this consultation would remove support from one group to improve support for others.

Clearly, a broader set of reforms is needed to increase the finance available to improve the WHD so that it can support all of those households who need it.

Additional reforms of the scheme we want to see include:

- ensuring all energy suppliers (regardless of size) provide the WHD scheme.
- ensuring the scheme is better designed so more people who need it know about it (including allowing people to apply for the scheme through charities and other similar organisations who do additional fuel poverty work funded through the WHD scheme).

⁶ <https://www.energylivenews.com/2020/08/22/almost-three-million-brits-are-behind-on-energy-bills-due-to-covid-19/>

- encouraging energy suppliers to implement this new WHD as soon as possible – not needing to formally wait for the end of the last scheme year and the beginning of the new one.
- encouraging energy suppliers to proactively make sure the WHD rebate is meeting their customer’s needs.
- encouraging suppliers to make sure their customers can have access to hardship grants and energy/fuel debt advice.

Finally, we do not want to see the removal of restrictions on providing financial assistance to households that are eligible for a rebate. We echo our colleagues at National Energy Action in saying that keeping this restriction will ensure that a greater amount of people can be helped by the scheme. However, if these restrictions are removed, then the cap on financial assistance should be reduced from £5m to £1m.

Responses to individual 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. With the amount of money made available for the WHD, at least for the next one year we think it is more important that **more** people in the broader group receive the rebate.

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. Such a mechanism, where a household is judged as being in need but does not receive support is unfair.

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?

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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. Continuing the scheme for one year unchanged gives it more chance of moving through parliament quickly.

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

Yes, we agree 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. With the money made available for the WHD scheme this will be sufficient to help customers with debts, while not cutting into the budget for other forms of customer support (funded through Industry Initiatives).

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

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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?

The preferred plan by BEIS in this consultation is to remove restrictions on those eligible for the Core Group/Broad Group rebate to access financial assistance.

However, allowing financial assistance to core/broader group recipients may lead to households not receiving other types of support – due to the limited funding available.

Realistically, there is simply not enough funding within the Industry Initiatives for this to be a workable option.

We would prefer for the available money to go towards ensuring all of those that require the WHD can access it (especially as we know not everyone in the broad group currently can access it).

However, if Government did opt to remove restrictions then we recommend the £5 million cap be reduced to £1 million, in order that other effective activities are not displaced (in the limited funding pot).

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.

Yes. We are broadly happy with the eligibility criterion as it currently is. However, we agree with another preferred definition of fuel poverty which we think BEIS should consider using in future.

Government should 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 way of 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. We agree that advice about the benefits of smart meters should be provided to customers benefitting from an industry initiative.

Though not strictly in scope for this consultation, we want to take the opportunity to advocate our position on the smart meter rollout. We strongly urge BEIS to take lead on

focusing the current smart meter rollout specifically on prepayment customers who stand to benefit the most and to be unashamedly ambitious for the poorest.

We would welcome moves to ensure this group of energy customers are prioritised on the grounds that the gains are significant for their future energy use. There are the potential uses of smart meter data to help achieve better outcomes for low income energy customers, as well as lowering the issues related to PPM customer self-disconnection and self-rationing.

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.

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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.

Fair By Design agrees with our colleagues at National Energy Action that 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 installed in accordance with PAS 2030:2019 and PAS 2035: 2019 from 1 April 2021. This ensures that the standards of the scheme run parallel to ECO and the Green Homes Grant and achieves a good level of minimum standard across Government schemes.

We do not agree that technical monitoring for boilers and central heating systems installed or repaired under WHD from 1 April 2021 is a sensible idea. While we agree it would be useful to know whether an installation has been completed to the required standards, we would be 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. For us, the delivery of support is significantly more important.

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

We agree 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.

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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.

We echo our colleagues at National Energy Action and support 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?

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

We strongly believe that the scheme design should not differ across nations. This will be unduly complicated for suppliers, households accessing the scheme, advisers helping households, and organisations that deliver industry initiatives. Although the way of estimating levels of fuel poverty across the nations differs, the overall aim to help households to keep warm and well over winter does not.