

Citizens Advice Response to Warm Home Discount: better targeted support from 2022

August 2021



Introduction

Citizens Advice welcomes the opportunity to respond to this important consultation on the proposals for the Warm Home Discount from 2022.

Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination. Since 1 April 2014, the Citizens Advice service took on the powers of Consumer Futures to become the statutory representative for energy consumers across Great Britain.

The service aims:

- To provide the advice people need for the problems they face
- To improve the policies and practices that affect people's lives.

The Citizens Advice service is a network of nearly 300 independent advice centres that provide free, impartial advice from more than 2,900 locations in England and Wales, including GPs' surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particular dispersed groups. There are 23,000 trained, trusted and knowledgeable volunteers across England and Wales. Last year we advised over 130,000 people and over 25,000 people saved money because of our advice. We also offer specialist support to the people who need our help the most through the Extra Help Unit, where last year we helped over 9,000 people.

Since April 2012 we have also operated the Citizens Advice Consumer Service, formerly run as Consumer Direct by the Office for Fair Trading (OFT). This telephone helpline covers Great Britain and provides free, confidential and impartial advice on all consumer issues.

Summary

We strongly support the increased budget for the Warm Home Discount scheme, the move to use data matching to automatically provide the majority of rebates and changes to require almost all suppliers to take part in the scheme. These changes will ensure many more low income working age households - a group we've previously identified as under-supported with energy costs - are lifted out of fuel poverty. They will also make the process of receiving rebates simpler, and enable eligible consumers to have a much wider choice of energy deals without losing access to the scheme, potentially enabling further savings.

In some areas we think BEIS should make changes to the proposals, in particular:

- Despite improvements, the scheme is still only projected to have an overall fuel poverty targeting rate of 47%. BEIS should retain the flexibility to amend the eligibility criteria over time to improve this rate further and ensure the scheme funding is spent as effectively as possible to achieve its aim of reducing fuel poverty. This will also enable it to respond to the impact of other changes, such as the levels of relevant welfare benefits or levies on gas and electricity bills and how these are apportioned.
- The changes will be a big adjustment. Some consumers who may have been used to receiving rebates will no longer be eligible in future, and some people will need to take extra steps to maintain their eligibility. In both cases some people will need extra support. BEIS should work with industry and third sector organisations to communicate the changes and ensure support for people who are negatively impacted or need help.
- The continuing economic impact of Covid-19, rising energy prices and the impact of the changes to the scheme are all likely to cause high demand for the Initiatives component of the scheme in 2022/23. BEIS should consider rebalancing funding for this component of the scheme across the entire period so that more funding is available to support people in the first year of the changes.

While we support the expansion of the scheme and recognise the need to proceed with these changes in a timely way to ensure support next winter, we are also mindful about the impact of policy costs on the affordability of energy bills. Government should carefully consider how to distribute policy costs in a fair and equitable way. We'll set out our thinking in this area further in response to the forthcoming Call for Evidence on Energy Consumer Funding, Fairness and Affordability. BEIS should ensure that the design of Warm Home Discount is flexible to respond to any changes made as a result of this review.

We've also called for a fair transition to net zero, with the right information, support and protection to help people make the necessary changes and ensure people who struggle to do so aren't unfairly penalised. However, it's unclear how the Warm Home Discount interacts with other policy changes that are being made, what intended role (if any) it plays in supporting people through the transition, and what gaps this leaves in terms of the wider support that will need to be made available. We'd welcome more clarity from the Government on this in future publications.

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Response

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?

The proposals outline that the changes proposed will increase the overall fuel poverty targeting rate from 37% in the current scheme to 47%. Given that the spending envelope for the scheme will increase significantly to £475 million, we would like to see the fuel poverty targeting rate increase further to ensure this money is spent as effectively as possible, and that those most at risk of fuel poverty are able to receive the support they need.

We agree that current Core Group recipients are accustomed to receiving rebates and that their rapid removal could be disruptive. However, it's not possible to understand from the consultation what the impact of reform for this group would be - ie how many households would lose the rebate if the high-energy-cost threshold was applied to Core Group recipients. BEIS should publish this analysis as part of its decision.

We would suggest that BEIS retains flexibility to amend the eligibility criteria for Core Groups over time. This would enable them to revise eligibility in light of changes to uptake of relevant benefits and any government decisions on their levels, as well as those of other forms of benefits that are relevant to Core Groups, such as the State Pension. Similarly it could take account of any changes to the levies that are applied to electricity and gas bills in the period which may impact the relative need of Core Group recipients.

This will help BEIS ensure that the scheme can better achieve its primary aim of reaching those most at risk of fuel poverty, and also limit the risk of consistent Core Group overspends. If changes are made to Core Group 1 eligibility, BEIS should consider ways to mitigate the impact on current Core Group recipients, including closing Core Group 1 to new recipients, tapering the level of the rebate for this group over time, or targeting former recipients with other types of support.

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?

Yes, we agree. We welcome the changes to ensure that the rebates are given automatically, this is something that we have previously outlined as important especially for low income and vulnerable households.¹ We believe this is a fairer system which will ensure consistency for people and make it easier for those in fuel poverty to access the financial support they need through the scheme. It will also reduce the administrative burden on suppliers and organisations that support consumers. We support the use of data-sharing and matching to enable access to data for identifying more households in fuel poverty.

We've previously outlined the issues that people faced when trying to apply for rebates in the scheme.² Our advisers told us that for the Broader Group, the discount is difficult and time-consuming for people to access with no guarantee of success. People had a general lack of awareness about this scheme and as such this prevented them from applying and gaining access to help they needed. In 2018, a survey of our local offices found that just under half of advisors (44%) said clients had found the application process too complicated, while around a third (31%) had seen client applications rejected.

First come, first served is not a fair way to distribute rebates - especially to those in vulnerable situations and we think automatic rebates should ensure more fairness.

3. Do you agree with the proposed methodology to determine the Core Group 2 and the proposed eligibility criteria, which we estimate would increase the number of fuel poor households receiving the rebate from 47% under the Broader Group to 59% under the Core Group 2?

Yes, we agree. We welcome the proposed methodology for Core Group 2 which will mean more people in fuel poverty will be able to receive the rebate. We are pleased to see that many more households in deeper fuel poverty will now be guaranteed a rebate automatically when previously there would be no certainty they would receive one.

We have long called for better targeting to be used in the scheme and are pleased that the targeting rate for the previous Broader Group - now Core Group 2 - will increase from 47% to around 59% due to the introduction of the high-energy-cost criteria. We think it is important for BEIS to regularly review the eligibility of this group to identify improvements that could be implemented to increase this targeting rate further.

¹ Citizens Advice, 2020. [Response to BEIS's Warm Home Discount Scheme 2021 to 2022 consultation - Citizens Advice.](#)

² Citizens Advice, 2020. [Response to BEIS's Warm Home Discount Scheme 2021 to 2022 consultation - Citizens Advice.](#)

We are pleased to see that the proposed eligibility criteria - alongside the expansion of the scheme budget - will enable more working age households to benefit from the scheme, with proposals estimating 560,000 more fuel poor households will receive rebates than under the current scheme, with the biggest beneficiaries being families with children. As we have set out previously, other than the energy price cap, policies that support people's energy costs such as the current WHD scheme eligibility and Winter Fuel Payment are overwhelmingly targeted at pensioners.³

We welcome the improved targeting of rebates across most socio-demographic groups which is now more closely aligned to the distribution of the fuel poor population across those groups. However we do have concerns about the impact on people who have previously received the rebate and may have come to rely on it will no longer be eligible.

The Impact Assessment sets out that there will be a larger impact on disabled people receiving DLA/PIP, with 200,000 fewer households receiving rebates. We support the setting up of a dedicated Industry Initiatives fund targeting support at households with a disability who are at risk of fuel poverty (see response to question 4 below).

A demographic group where there may be slightly fewer recipients than currently are single working age people without children. Impact Assessment (Table 3) suggests that for 2022/23 that those receiving the rebate that are in the demographic group of working age, single without children will decrease by 10,000 households. Table 4 however in the Impact Assessment suggests this will only be 4,000 households. While relatively small, BEIS should clarify the expected impact in its decision document.

It's vital that BEIS considers how other households who lose out from the changes are able to be supported outside of the rebates, and are not left to fall between schemes or support provision. For example, BEIS should work with suppliers on how Industry Initiatives and other schemes could specifically help those households who will no longer be able to receive the rebate.

We are also concerned that households that are no longer eligible will contact their supplier as they have done in previous years to find out more information regarding their energy bill and rebate from the scheme. BEIS should take steps to ensure that suppliers have plans and resources in place to be able to communicate the changes, and signpost customers to other ways they can receive support whether that be financial or advice services. There is also likely to need to be a wider industry and third sector comms plan about the changes, to ensure advice is updated and that alternative

³ Citizens Advice, 2020. [Response to BEIS's Warm Home Discount Scheme 2021 to 2022 consultation - Citizens Advice.](#)

routes to support are understood. New recipients of the rebates will also need to be made aware of the scheme and how this will be applied to their bill. The customer journey for support should be as easy and simple as possible for households to understand and follow.

In terms of the high-energy-cost eligibility criteria we would welcome the opportunity to feed into consultations on this before the first year of the scheme. We agree that the high-energy-cost threshold should, as much as possible, remain constant between scheme years to provide clarity and consistency to households whether they are eligible, while ensuring a reasonable level of stability for Industry Initiatives schemes.

4. Do you agree with our approach that the Government should work with energy suppliers and third-party organisations to ensure there is dedicated support for households with a disability at risk of fuel poverty as part of an Industry Initiative? Please give views on the design and administration of such an Initiative, including the amount of overall funding, the amount of funding available to households, and eligibility.

Yes, we strongly agree. We think it is particularly important that if the proposals lead some households with a disability and at risk of fuel poverty to become ineligible for rebates that support is provided through Industry Initiatives. Research by Scope has shown that households with a disability often have higher energy costs than the average household, with many concerned about being able to afford their energy bills.⁴

As this funding will be coming via the Warm Home Discount scheme it is still important it targets those that are most at risk of fuel poverty and eligibility criteria should reflect this. BEIS should work with disability charities, services and consumers to understand how best to administer this scheme, how people can be referred to the initiative and how the customer journey can be made as easy and simple as possible. Public information and awareness around the initiative and eligibility will also be key. Once in place BEIS should continue to regularly review the funding pot, eligibility criteria and customer experience in order to understand if improvements are needed.

5. Do you agree with the proposed data-matching process, including the data-matching process with energy suppliers, to identify households eligible for the rebate under the Core Group 2 and provide rebates automatically on bills?

⁴ Scope, 2018. *Out in the Cold*.

Yes, we are pleased to see the proposed data-matching process that will be used for Core Group 2 to ensure rebates are provided automatically on bills. We support the data-matching process with energy supplies and matching data on benefits, tax credits, property characteristics with customer accounts. We agree that other data sources should be used where data is missing.

We think this will be a much fairer system and prevent the oversubscribed eligibility that was seen in the Broader Group, leading to some consumers missing out. Removing annual applications to an automated process will make it easier for those in fuel poverty to access the help they need, with a much more straightforward customer journey to access rebates. This should also significantly reduce the administrative burden on suppliers and has enabled the almost removal of supplier thresholds, which we strongly support.

6. Do you agree with Government's proposed use of an imputation methodology to fill in missing data or non-matched data to enable rebates to be delivered automatically to a greater number of people?

Yes, we agree that imputation methodology should be used to fill in missing data or non-matched data to enable people to receive rebates. Where possible imputation data should draw on real life calculations and data from neighbouring properties as much as possible opposed to statistical modelling. The proposals suggest that the model used to predict fuel expenditure is accurate to within 50% of almost all cases. Where statistical modelling and methods are being used, BEIS should periodically review the processes to see if further improvements to accuracy can be implemented.

We acknowledge that the proposed reforms and methodology are not a perfect predictor of fuel poverty, and there will be cases where the prediction of a household's energy cost will be wrong. As outlined in the proposals this may be when the data is not complete for a property or is inaccurate for that property. We appreciate an imputation methodology will be used for those missing data although this will not help people in situations where the data held is incorrect and they may be unaware therefore not know they should challenge the decision.

We would urge BEIS to undertake further work here to see how households that are in fuel poverty with inaccurate data can be identified by suppliers and be offered support through the scheme. We would expect suppliers may be able to identify use information about consumption or self-disconnection, as well as other data they may hold, to identify cases where a consumer may be eligible. It is likely they will be contacted by

some consumers asking for this type of support, particularly those that have previously been able to receive rebates.

The Impact Assessment estimates around 5% of households will have issues with their qualifying data. Table 4 in the Impact Assessment suggests that 1.65 million households will receive the rebate that are not on Pension Credit Guaranteed Credit and therefore will be in Core Group 2. This suggests around 82,500 eligible homes may have issues with qualifying data, which can impact their eligibility to receive the rebate. Therefore it is important that the methodology used for the imputation of data is as robust as possible. BEIS should use their experience and learnings in the first year of the new proposals to see how improvements can be implemented for the imputation process in future years.

7. Do you agree with the proposed approach to setting a qualifying date?

Yes, we agree. The qualifying date should be set as close as possible to the data matching process to lower the risk of changing circumstances between the two dates. BEIS should ensure any learnings from the first year of the scheme in relation to the dates are acted on for the following scheme years.

8. Do you agree with the proposed sweep-up and high-energy-cost verification and challenge process?

We are pleased to see that a challenge process has been included in the proposals given the extent of change the scheme is undergoing. It is important people are able to challenge situations where data is missing or based on modelled data. We therefore agree with the proposed sweep-up and verification process, albeit with some concerns.

We are conscious that the sweep up and high energy cost verification processes puts the onus on the household to take action, and in some cases people may have limited capacity or resources to do this. BEIS should ensure that people contacted as part of any outreach are given plenty of time before the deadline to verify their details, are sent communications more than once (potentially a follow up email) and different types of communication methods. It is important this customer journey is as clear as possible not to discourage people from participating or falling out of the process.

Any communication should signpost clearly where people can go to get further information and advice and what actions or next steps they are expected to take. BEIS should ensure that all suppliers and advice providers are fully informed about the sweep up and the high energy-cost verification process well in advance, so they are able

to prepare to help people through this process. If suppliers are unable to provide this help they should know where exactly to signpost or refer customers to for help.

There is likely to be more demand in the first year for these processes, as an adjustment for previous Broader Group recipients occurs and as data gaps for Core Group 2 recipients are first identified. Given this risk, it is vital that information provision on the challenge process in particular is clear and that the proposed online tool works well, in order to ensure former recipients contacting the helpline are limited as much as possible to those who are likely to be successful.

The process will need to be well-resourced and comprehensively tested to ensure people can resolve issues in a timely way and to prevent anyone falling through the gaps and missing out on support they are eligible for. We would suggest that BEIS runs workshops, including with fuel poor customers and third sector organisations, to better understand customer needs and develop a customer journey that is as easy and simple as possible.

9. Do you agree with the proposed permitted alternative data sources for proving eligibility for the rebate?

We are pleased to see that households will be able to submit alternative data where missing or inaccurate data for eligibility may have been used. We support the proposals for an online tool and helpline as options for people to use in this process, and are keen to understand the customer journey further ahead of implementation. We appreciate that this may still be a complicated process for some people to navigate and BEIS should ensure that DWP, suppliers and advice organisations are all informed to be able to best help people.

We agree that freely available information from the land registry and from google street view if possible should also be used. Given that the scheme is targeting those in fuel poverty we think it is unreasonable to ask that people pay £60 to have an Energy Performance Certificate (EPC) in cases where property floor area is missing data through no fault of their own, and that this requirement is likely to put some eligible consumers off applying.

We would suggest BEIS find an alternative in these situations, particularly for those consumers directly contacted via direct outreach. Options could include paying customers the cost of the EPC if they are successful in gaining the rebate. This could prevent more speculative challenges, with a similar approach taken to charging customers for meter testing to disincentivise people from requesting tests in cases

where the meter is unlikely to be faulty.⁵ Alternatively, the helpline could give a recommendation on whether a challenge is likely to be successful, with payments for EPCs given in all cases except those where consumers had gone against the helpline advice. Given the consumer benefits of an EPC in understanding the efficiency of their home, funding for these EPCs could be delivered through Industry Initiatives energy efficiency funding. BEIS should also clarify whether expired EPCs will be eligible for property characteristics that are unlikely to have changed in the previous 10 years.

We agree that a referral mechanism into Industry Initiatives if a household could not be identified as eligible using permissible alternative evidence under the challenge process could be beneficial. This could be used in particular to support households that are especially vulnerable to the cold. However, given that Industry Initiatives allows different suppliers to offer different support with different criteria it will not be straightforward to position what likely help they may get, which could be frustrating for the person involved. To avoid this issue it may be that a general referral back to their supplier for help is more likely to lead to a positive experience and could make use of the wider support suppliers are required to provide (e.g. ECO, debt support, support for people at risk of self-disconnection etc).

Given that it is likely more people will make use of the verification and challenge processes in the first year of the reforms, referrals could also put further pressure on Initiatives funding for 2022/23. We discuss this further in response to question 10.

10. Do you agree with the proposed overall spending targets for Great Britain?

Yes, we generally agree with the proposed overall spending targets for Great Britain. We welcome the increased spending on the scheme which will enable more people in fuel poverty to receive the help they need. We expect to see more people struggling in fuel poverty as a result of the pandemic and this is likely to continue into 2022/2023. Our research in December last year showed that 2.1 million households were behind on their energy bills with more people struggling in energy debt.⁶ The support through this scheme and the ability of customers to access support from suppliers will continue to be crucial as people recover from the impacts of the pandemic. It is important that support is available to those in need through this scheme so that people don't have to choose between a warm home or having food especially over the coldest months of winter.

⁵Citizens Advice webpage: [Check if your energy meter is faulty](#)

⁶ Citizens Advice, 2020. [Covid drives over half a million people into the red line on energy bills](#).

We are concerned that the overall Initiatives spending levels in year 11 may curtail some important types of Initiatives spending. In particular, the introduction of new minimum spend levels for financial assistance and likely continued high use by suppliers of the debt write off and energy efficiency components of the scheme may put pressure on funding for other areas, like advice and benefits checks.

This may be exacerbated by the move to include more suppliers in the scheme, with smaller companies being less likely to have sufficient funding to make Initiatives funding other than financial support and debt write-off feasible. Some underspend from 2021/22 may be carried forward and increase spending levels, but we think this is unlikely as rising energy prices and the challenging financial situation of many consumers this winter is likely to see very high demand. Despite being capped, any overspend by suppliers for 2021/22 would further reduce spending in year 11.

In year 11 demand for support through Initiatives is also likely to be particularly high. This is due to the ongoing economic impacts of the Covid-19 pandemic, which has led to high levels of energy debt, and the impact of higher energy prices. It will be further heightened by the need to support Broader Group recipients who are ineligible for Core Group 2 (including via the proposed referral route for those who make use of the verification and challenge processes but are not deemed eligible).

Conversely, funding levels for Initiatives are projected to grow significantly in later years of the scheme, from £40m in year 11 to £65m in year 14. However, as the caps on spending for debt write-off and financial assistance will remain fixed this additional spending will be directed towards other areas of the scheme. We think that a decline in funding in the first year, even if followed by significant increases in later years, will make efficient delivery of Initiatives projects more challenging. A more stable amount of funding between years is preferable.

These risks could be mitigated by increasing funding for the scheme in year 11. An increase could be funded by a reduction in the scheme size in later years, to ensure that overall spending on the scheme over the whole period remains the same. Alternatively minimum spending levels for energy advice (and potentially other areas without minimum spending levels) could also ensure more stability of funding if significant adjustments to initiatives spending are made (we discuss this further in response to question 13 below).

Finally, while we support the expansion of the scheme and recognise the need to proceed with these changes in a timely way, we are also mindful about the impact of policy costs on the affordability of energy bills. Government should carefully consider

how to distribute policy costs in a fair and equitable way. We recently outlined our thinking on these trade offs⁷ and will share further thoughts in response to the forthcoming Call for Evidence on Energy Consumer Funding, Fairness and Affordability.

11. Do you agree with the proposed approach to apportionment of the total spending targets to Scotland from April 2022, currently equivalent to around 9.4%?

We recognise that the relative levels of fuel poverty in Scotland, England and Wales may not be proportionate to the overall number of domestic meter points in each nation. However, given the lack of a consistent approach to measuring fuel poverty and comparable data across each nation this may be the only practical approach to determine national spending targets. We would welcome proposals of alternative approaches that overcome this issue. We also urge the Scottish Government to come forward with proposals for the design of the scheme for Scotland from 2021/22.

12. Do you agree with the proposal to make Industry Initiatives spending mandatory rather than optional?

Yes, we agree. Industry Initiatives are a useful way to flexibly target additional financial support, and to provide valuable additional services like advice. The move to primarily provide rebates automatically through Core Group 1 and 2, and the use of Initiatives funding as a buffer for overspends and underspends on rebates, means it is now logical for all suppliers to be required to carry out Initiatives spending.

Evidence has shown that holistic advice services are an effective way to tackle fuel poverty in the long term. For example, our Energy Advice Programme provides one-to-one, tailored energy advice, at a local level to vulnerable consumers across England and Wales. Overall, clients who took action saved on average £720 after receiving support with an energy debt and on average saved £2,400 after receiving advice on benefits or tax credits. In 2020, for our Big Energy Saving Network (delivered by Local Citizens Advice offices and other partners) 8 in 10 people took at least one energy efficiency action following advice, and 3 in 4 agreed that the help they had received had helped keep their home warmer.

We are pleased to see an emphasis on partnership working and that up to £40 million can be contributed to Industry Initiatives schemes. Ensuring this is a mandatory process will mean that more suppliers create effective partnerships that will support customers at risk of, or experiencing fuel poverty. However it is vital that suppliers can provide

⁷ Citizens Advice, 2021. [*Rough trade? Balancing the winners and losers in energy policy.*](#)

evidence of the impact of these schemes in order to be sure they are more effective than the equivalent number of rebates would have been.

13. Do you agree with the proposed approach to use Industry Initiatives targets to balance the spending uncertainties created by the two Core Groups, through an adjustment before the start of the scheme year and a further, more limited adjustment in year, which are capped at £10 million from the Industry Initiatives' base spending obligation each scheme year?

While a stable fund for Industry Initiatives is desirable, we recognise that some adjustments may be necessary. We also support BEIS's objective of providing 'certainty to energy suppliers and third-party organisations delivering Industry Initiatives, particularly multi-year projects'. However, we're concerned that the proposed approach may not achieve this outcome.

First, it is unclear on what basis the £10 million cap on adjustments has been proposed. This represents almost a quarter of all Initiatives spending, and therefore represents a significant risk to the delivery of Initiatives projects. To enable suppliers and third parties to better understand the risks of adjustments, BEIS should provide analysis demonstrating the extent to which adjustments would have been made in previous years, and what size they would have been.

Second, we are also concerned that the design of the scheme means that any downward (and to some extent, upward) adjustments are unlikely to fall equally across all aspects of Industry Initiatives. The minimum spending requirement for financial assistance (including the need to fund rebates for park homes and households where there is a person with a disability) will limit scope for spending reductions in this area. Similarly, we expect suppliers to prioritise funding for debt write-off which has a more direct benefit to them.

Therefore any overall spending reduction on initiatives is likely to disproportionately affect energy advice, benefits checks and energy efficiency. This risk is likely to feed through to the funding arrangements with charities and consumer groups, making stable, multi-year funding for projects less feasible, and making these projects less efficient and more expensive to deliver than they would otherwise be.

In order to safeguard the delivery of initiatives outside of debt write-off and financial assistance, BEIS should consider a range of options including:

- reducing the cap on adjustment level to an amount smaller than the £10 million currently proposed,

- adjusting the maximum and minimum caps for the debt and financial assistance pots in line with any overall increase or decrease in initiatives funding, or
- introducing minimum spending levels across all areas of initiatives to prevent spending on any one area of initiative being significantly impacted by downward spending adjustments. For practical reasons we recognise that these minimum spending levels may need to be applied to larger suppliers only.

14. Do you agree that the value of the rebate should be set at £150 for the duration of the scheme and that payment of the rebate should be as per current rules?

We agree that the value of the rebate should be set at £150 for the first year of the scheme especially as the increased spending on the scheme is predicted to increase energy bills by £5. BEIS should retain flexibility to review the rebate amount to ensure that the financial level of support provided is appropriate in the context of inflation and further policy costs being added to energy bills.

15. Do you agree with the proposal to keep the scheme year as now, running from April to March?

Yes, this scheme year makes sense and previously has worked well. Changes to the scheme year may cause confusion to all parties involved including suppliers, advice and partnership organisations involved in Industry Initiatives.

We agree that consumers should receive the rebates as soon as possible after data matching. We're aware that some payments are made relatively late in the scheme year under current arrangements, and hope that more automatic provision of rebates enables timely delivery by suppliers. We particularly encourage suppliers to issue rebates to customers with prepayment meters as early as possible to optimise benefits for this group. The scheme administrator should improve information provision on the timing of rebates by suppliers, and take action where these are not paid in a timely way after data matching.

In relation to Initiatives spending, advice and partnership organisations would benefit from a more robust and timely notification sign off process by the scheme administrator, to ensure that the delivery of services to customers in vulnerable groups are not delayed. Delays in sign off of notifications can mean suppliers are unwilling to commit to funding. This puts third sector jobs at risk, and the organisations risk losing the investment they have dedicated on training and supporting staff for the delivery of these schemes. Extending the scheme across a longer period should help ensure more

stable year-on-year funding through Initiatives than has recently been the case. We would also encourage improved guidance from the administrator to enable successful completion of notifications, and that long-standing partnerships that require sign off prior to the start of a scheme year are fast tracked.

16. Do you agree that spending on the provision of financial assistance with energy bills to households particularly at risk of fuel poverty should have a minimum spend of £5 million overall, with an overall cap of £10 million? If you think an alternative minimum and/or maximum spend should be set, please provide your reasons.

Yes, we are in favour of financial assistance for those particularly at risk of fuel poverty being set with a minimum spend of £5 million. Financial assistance will particularly be crucial in 22/23 when many households will still be recovering from the financial impacts of the pandemic. As mentioned above our research in December last year showed that 2.1 million households were behind on their energy bills with more people struggling in energy debt⁸, and we expect to see a similar trend this upcoming winter.

We would also like to see financial assistance particularly targeted at those in fuel poverty that may have lost their eligibility through the rebate process such as single person households who are in receipt of benefits or those that have issues with eligibility due to missing or incomplete VAO data. We need to ensure these individuals do not fall through the cracks and are able to access support.

As set out in response to question 10, we expect that this demand for additional support and the likely economic situation will mean financial assistance spending is at the upper end of the allowed spending in scheme year 11. In order to provide more support there would be benefit in increasing the Initiatives spending in scheme year 11, potentially funded by adjusting spending levels down in later years.

17. Do you agree that such financial assistance should continue to be capped per household per scheme year? If so, should this be capped at £150, or at a higher level?

As a default, a similar level to the rebate amounts seems a fair and equitable approach. We supported changes from scheme year 10 that mean consumers can receive financial assistance payments in addition to any Core or Broader Group rebates, which should mean families in particular need can receive additional support.

⁸ Citizens Advice, 2020. [*Covid drives over half a million people into the red line on energy bills.*](#)

18. Do you agree that a £3 million portion of the energy debt write-off cap should be reserved for customers with prepayment meters (PPMs) who are self-disconnecting or are at risk of self-disconnecting?

Our research on self disconnection shows that prepayment customers with a debt on their meter are around three times more likely to run out of credit than the average⁹. We strongly support the aim of increasing support to people on prepayment meters, and we think that providing more debt write off to this group should lead to a sustained reduction in their risk of self-disconnection.

However, we have some concerns about how reserving some debt write-off for prepay customers would work in practice. Suppliers with fewer than 50,000 customers - most of which will be obligated to participate in Warm Home Discount from scheme year 12 onwards under the proposals - do not have to offer prepayment meters except to customers in payment difficulty. Some much larger suppliers also make much less use of prepay than others. If the proposal is implemented through a cap on each supplier (in proportion to the number of customers they have) for debt write-offs to customers with credit meters, this could lead to suppliers with very few prepay customers being unable to actually utilise their full debt write-off amount. It may be necessary to apportion this part of the cap according to the proportion of customers on prepay that a supplier has, or to enable suppliers to ask the administrator for permission to spend more on credit meter debt write off instead.

We are also concerned that suppliers could game the rules, by moving customers onto prepayment simply to make them eligible for debt write off. This risk could be reduced by limiting debt write off for prepay to customers who have been on it for a certain amount of time, but this would risk some consumers who would benefit from debt write off being excluded arbitrarily.

We welcome more detail from BEIS on how a reserved portion of the debt write-off cap would work in practice. It should also consider to what extent Ofgem's new rules on identifying and supporting customers who are self-disconnecting are likely to incentivise suppliers to write off more debt for prepay customers, regardless of a fixed portion of being reserved.

19. Do you think that the cap on debt write-off should be reduced from £6 million to £5 million overall, and from which scheme year should this take place?

⁹ Citizens Advice, 2020. [*The end of the beginning*](#)

Debt assistance can be valuable for helping low income consumers out of difficult financial circumstances. However, we think debt management is primarily a role for suppliers. There should be other incentives and drivers to ensure suppliers are doing all they can to support customers in debt. Ofgem's recently strengthened rules on debt should lead to fairer repayment plans based on ability to pay, and suppliers should take pragmatic action - including supplier funded debt write off - where an unrecoverable debt has been built up.

We have therefore generally agreed with reductions in the amount of debt write-off over the life of the Warm Home Discount scheme, to enable more funding for other purposes.¹⁰ However, for scheme year 10 (2021/22) we supported freezing the cap at the previous year's level of £6 million, in recognition of the impact of the coronavirus pandemic on consumers.¹¹ Given the ongoing risk from the financial impact of the pandemic and higher energy prices this winter, we think that this level will remain appropriate for at least scheme year 11. Beyond this point, BEIS should retain flexibility to reduce the cap on debt write-off depending on the economic circumstances.

We would also like to be sure that where debt is being written off, every effort is made to engage the customer in debt advice so that the assistance has a more holistic and durable impact on the customer's situation.

20. Do you agree that the individual debt-write off cap should continue to be capped at £2,000? If you think an alternative cap should be set, for instance more in line with average energy debt levels, please provide your reasons.

Introducing a cap on individual debt write-off is a positive step towards meeting the policy intent of helping more customers out of fuel poverty, rather than helping energy suppliers to write-off bad debt or debt for customers who will remain insolvent despite a write-off. We agree that £2,000 is a reasonable individual cap level in most circumstances.

However, some customers will need help with debt write-offs above this level. For example, the Extra Help Unit has helped customers living in homes that are poorly insulated and with inefficient heating systems that mean they build up debt quicker due to higher usage. They've also helped customers with severe mental health problems who, after eventually starting to pay a contribution towards their balance, feel hopeless

¹⁰ Citizens Advice, 2020. [Response to BEIS's Warm Home Discount Scheme 2021 to 2022 consultation - Citizens Advice](#).

¹¹ Citizens Advice, 2020. [Response to BEIS's Warm Home Discount Scheme 2021 to 2022 consultation - Citizens Advice](#)

because they remain liable for a large debt. For customers in these circumstances, their suppliers should give strong consideration to funding a write off above the £2,000 cap, or help the customer access charitable grants to do so.

Suppliers could also be allowed to submit proposals to the administrator of the scheme in cases where they think it would be appropriate to write off debt above the £2,000 cap, based on all the circumstances of the case.

21. Do you agree that the installation of mains gas boilers to replace existing boilers that have ceased to function properly should only be permitted in households with a specific vulnerability to cold, as outlined?

Yes we agree. We acknowledge the changes to low carbon heating that will be required to achieve net zero but there are currently no lower-cost alternatives to gas boilers or gas-fuelled central heating systems. Those in vulnerable groups and in fuel poverty must not be left behind in the transition to net zero and BEIS should continue to ensure the continuation and alignment of schemes such as ECO, LAD and HUG's can deliver this.

We agree that it is essential to prevent people living in cold homes and facing the devastating effects that this can have on those most vulnerable. We also think it is important that repairs of fossil fuel boilers or central heating systems continue, so that no one is left living in a cold home especially in the winter months. It is important to keep this under review in the scheme in light of other policy decisions, such as the forthcoming Heat and Building Strategy, and assessing the cost and suitability of alternatives.

22. Do you agree that boiler replacements should be limited to £8 million per scheme year from 2022/23?

No answer provided.

23. Do you agree that the obligation threshold for the whole scheme should be reduced from April 2022 to 50,000 domestic customer accounts? If not, what would you suggest is a more appropriate threshold and why?

Yes, we strongly agree with reducing the thresholds for reduction as soon as possible.

We have long called for the reduction and removal of the supplier threshold. We believe the supplier threshold has previously had a range of negative effects on both competition and social equity - with particular harm being felt by consumers who are

eligible for the Warm Home Discount who face a much more complex switching decision-making process.

We would ideally want all suppliers above 1,000 customers to be participating from scheme year 11. These smaller suppliers often offer the best deals in the market. By exempting them from the scheme we are asking low income vulnerable households to further miss out on fully participating in the market, and also allowing a market distortion to continue. However, we recognise the practical difficulties of including smaller suppliers in the scheme in the time remaining for the changes to be implemented.

24. Do you agree that from April 2023 the supplier threshold should be reduced to 1,000 domestic customer accounts?

Yes, we welcome the proposals to lower the supplier threshold. We ideally would like to see the supplier threshold completely removed but understand the administration costs involved for those with less than 1,000 domestic customer accounts may outweigh the benefits provided.

The threshold remaining - even at this low level - will mean there is a continuing need to communicate to customers when they may be going to lose their Warm Home Discount as the result of their switch. We think gaining suppliers below the threshold and third party intermediaries should be required to make this clear as part of the switching process.

We also note that the threshold will have impacts on the opt-in and opt-out switching schemes currently under consideration by BEIS. Suppliers which do not offer Warm Home Discount may need to be excluded from these processes to protect consumers.

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.

No answer provided.

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?

Yes, we agree that a single reconciliation is the simplest approach. Reconciliation is a vital part of the scheme that ensures all suppliers contribute a fair share towards the cost of supporting low income and vulnerable consumers.

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?

As we have argued previously, it is deeply unfair that consumers also risk losing out on Warm Home Discount rebates if they're entitled to them.¹²

We estimate that almost 2 million consumers have been affected by supplier failures since 2018. These events can lead to high levels of consumer detriment, whether through stress and hassle, short term financial losses or losing access to vital debt protections.¹³

While we recognise that Ofgem's Supplier of Last Resort (SoLR) process aims to get the best outcome for consumers, this is dependent on other suppliers entering competitive bids for the customers, with the fallback option of directly appointing a supplier to provide a minimum level of protection. Customer credit balances are rightly part of this minimum protection which is provided regardless of the SoLR outcome. We think that Warm Home Discount rebates are similarly vital, and deserve equal protection.

Furthermore, the supplier failures that have generally happened to suppliers smaller than the current Warm Home Discount threshold, and as such only a small proportion of customers affected by failures have faced risks to their Warm Home Discount. However, as the obligation threshold is reduced it is likely that almost all failing suppliers will be participating in the scheme. In these circumstances we think it is vital to have a mandatory condition for a Supplier of Last Resort to take on the Warm Home Discount obligations of the failed supplier.

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

Yes, Ofgem is currently best placed to perform this duty.

¹² Citizens Advice, 2020. [*Response to BEIS's Warm Home Discount Scheme 2021 to 2022 consultation - Citizens Advice*](#)

¹³ Citizens Advice, 2019. [*Picking up the pieces*](#)

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

No answer provided.

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

Yes. Ofgem is currently best placed to perform this duty.

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

Yes, we agree that this would simplify the administration of the scheme.