

Citizens Advice response to BEIS's Warm Home Discount Scheme 2021 to 2022 consultation

November 2020



Introduction

Citizens Advice provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination. From 1 April 2014, Citizens Advice 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.

Citizens Advice 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 particularly dispersed groups.

We give advice to people through our network of local Citizens Advice and through our national consumer service helpline. Between these 2 services, last year we advised over 130,000 people, solving 100,000 problems. Over 25,000 people saved money because of our advice. We also offer specialist support to the people who need our help most through the Extra Help Unit, where we dealt with over 15,000 cases.

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.

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Summary

We welcome the opportunity to respond to this consultation.

Given the circumstances of the COVID-19 pandemic, we support the proposals to extend the Warm Home Discount into 2021/22 in a relatively unchanged form. However, in some areas we have concerns, particularly the proposal not to reduce the supplier participation thresholds. This will lead to consumers continuing to miss out on rebates.

We also note the ongoing and growing gap between eligibility and provision for the Broader Group means that many families will miss out on support. This is likely to lead to more people struggling to pay their energy bills, and to more people stuck in cold, dark homes.¹ During the pandemic, the government should continue to develop additional policies that ensure that low income households are supported to stay on supply and to pay their energy bills.

From 2022 onwards, we strongly urge the government to carry out the now overdue reform of the scheme. This reform should ensure all rebates are provided automatically and by all suppliers, resulting in:

- reduced administrative burden of applications for customers, advice providers/charities and suppliers
- lower barriers to switching for eligible customers
- a level playing field for suppliers

This reform should also address the gap in support for low income, vulnerable working age households, including whether more money is needed to support customers. It should also consider how the scheme can ensure a fair transition to net zero by protecting these groups from additional costs, and be clearer on how it can best complement other policies like the price cap and Energy Companies Obligation (and any successors to these).

¹Citizens Advice (2020) [Energy consumers face unprecedented challenges this winter](#)

Response

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, we agree with keeping the size of the rebate the same, given the timescales needed to get this support to those who need it. One of the major challenges of the scheme is trying to make sure that those consumers in the Broader Group who most need support can successfully apply for it - this is discussed in our response to Question 3. Changes to the scheme with minimal lead-in time could lead to delays, which exacerbate these issues for eligible customers.

In future reform of the WHD government should more fully consider the level of rebates. Overall, although energy efficiency improvements are the best way to address fuel poverty in the long-term, financial support with bills provides essential help for low income households, especially if they are in a home that is yet to reach EPC Band C.

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?

Yes, we agree. Future reform of WHD should consider whether the distinction between Core Group and Broader Group recipients is most likely to achieve the scheme aim of reducing fuel poverty, as compared to a single set of eligibility criteria.

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, we agree with keeping the Broader Group element unchanged, given the timescales needed to get this support to those who need it.

In the longer-term, the government should reform the WHD to provide automatic support for low income and vulnerable households. This would be fairer than the current unpredictable and oversubscribed provision for those in the Broader Group, requiring annual applications and varying supplier availability and eligibility criteria. We note that the increase in unemployment means that accessing Broader Group rebates is likely to be even more difficult this winter, with this situation likely to persist into 2021/22.

A 2018 survey of our local advice offices found that almost half (43%) of advisers who had helped clients with the Warm Home Discount in the previous year had experienced problems with the scheme. These are mainly related to the Broader Group, and the fact that it does not provide guaranteed support.

Clients' general lack of awareness of the scheme was the most common problem - with two thirds of advisors reporting problems mentioning this. Just under half of advisors (44%) said clients had found the application process too complicated, while around a third (31%) had seen client applications rejected².

Adviser case studies



The client has various disabilities and has memory problems. She would normally qualify for Warm Home Discount with her energy supplier but due to not applying in time to the scheme, she has missed out. The client lives in a rural location and has no access to the internet, so finds it difficult to use online forms. She felt that disadvantaged, disabled or elderly customers should be reminded each year that it is time to apply for the next scheme.



It seems that some energy companies' WHD (Warm Home Discount) schemes haven't opened and others, like my client's, have already closed - whether you get it seems like a lottery based on who is your energy provider

The support should also be improved to ensure that more working age households can benefit. Beyond the energy price caps, policies that support people's energy costs (WHD and Winter Fuel Payment³) are overwhelmingly targeted at pensioners.⁴

Previous analysis for Citizens Advice shows which groups get what financial support through a combination of Winter Fuel Payment and WHD.⁵

² This is an online survey of our local Citizens Advice offices that have signed up to a monthly survey. We usually receive 300 - 400 individual responses per survey and the survey took place at the end of August 2018.

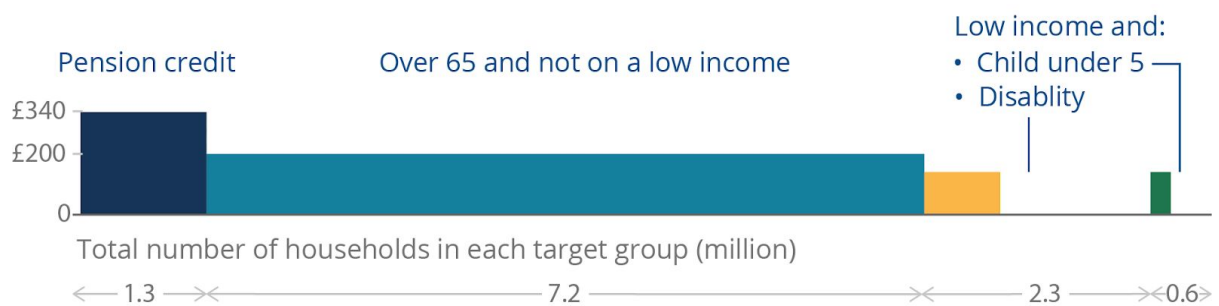
³ The Winter Fuel Payment is automatically paid to all pensioners, regardless of their income. Households with someone aged over 65 receive £200, while those with someone aged over 80 receive £300.

⁴ There is also a cold weather payment. This pays low income vulnerable households £25 for each 7 consecutive days of sub-zero temperatures they experience. Annual cost depends on how cold the winter is: it can vary from a few thousand pounds to £150m.

⁵ For simplicity we have not shown the additional £100 received by those over 80.

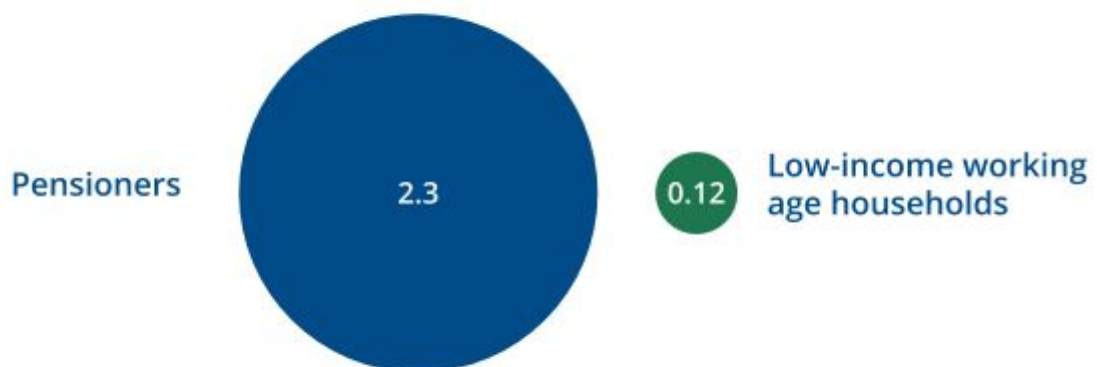
In the following chart, the bars show the level of support with energy bills for different groups. Their height shows the amount of support each person receives, while their width shows the number of households within each group who get help out of the total number in that group. The gap where there is no bar shows the proportion of that group who are not getting help.

The low income group shown here differs from the current Broader Group definition.⁶



Overall, the analysis shows that £2.3bn is spent on helping pensioners with their energy bills compared to £0.12bn for low income working age households. This is despite fuel poverty being more likely to affect working age groups. Only 7% of pensioners are fuel poor, as compared with 26% of working age single parents with children, and 15% of couples with children.⁷

Annual financial support with energy bills (£ billion)



⁶ Working-age vulnerable group is defined as: Households with young child or disabled person; in receipt of a means-tested (UC or equivalent) or disability (DLA or PIP) benefit and an income of less than £25k

⁷As detailed in the impact assessment that accompanies this consultation

But fuel poverty is more likely to affect working age groups



We think there is clearly a need for more support for working age households who need that help most. This has become more pressing as these groups bear the brunt of COVID-19 and its economic impacts, and may face higher costs through the transition to net zero. In previous research for Citizens Advice, 8 in 10 people agreed that working age low income households that are vulnerable to the cold should be given help with their bills (only 5% disagreed)⁸.

Some additional support could be provided on a cost-neutral basis, by recycling savings on the administration of Broader Group into the funding pot for rebates. However, the government should also consider going further to expand the total amount of funding available in light of increasing unemployment.

4) For energy suppliers only: how many of your Broader Group recipients were eligible under the mandatory criteria and how many under additional criteria approved by Ofgem in scheme year 9? How many of your Broader Group recipients in scheme year 9 were also Broader Group recipients in scheme year 8 and scheme year 7? We have provided a template for this.

Not answered

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

We agree that, during a difficult time for households on low incomes, it is sensible to maintain the debt write-off cap at £6 million for 2021/22.

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.

Debt write-off is a useful tool to support customers with unmanageable energy debt, particularly where they don't have other debt issues that are likely to lead to insolvency regardless of their energy debt. It can helpfully complement

⁸ Research carried out by Ipsos Mori for Citizens Advice in September-October 2018 (unpublished)

Ofgem's new ability to pay rules, which should help suppliers identify when debts are not manageable for their customers.

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 because they remain liable for a large debt.

For customers in these circumstances, there may be some scope for suppliers to fund 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 Ofgem (as 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.

The impact of this change should be carefully monitored and considered in the forthcoming consultation for scheme years 2022/23 onwards. We would expect to see an increase in the number of households supported by debt write-offs.

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

We welcome the removal of the restriction on providing financial assistance to Core Group and Broader Group recipients. Advisers working in the Citizens Advice service have reported this being a significant barrier to customers receiving this support.

In the context of COVID-19 and its ongoing economic impact, we agree that it is particularly important to facilitate, rather than restrain, the provision of financial assistance to fuel poor and vulnerable groups. This should encourage suppliers to take a more responsive approach to providing support where the circumstances require it.

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 agree that, during a difficult time for households on low incomes, it is sensible to maintain the £5 million cap for financial assistance for 2021/22. Given the previously low level of spend in this area of around £350,000, the cap still enables a significant growth in spend once the restrictions on its use are eased.

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.

We don't have evidence on existing support delivered to consumers through this aspect of the industry initiatives. However, in general we think it is likely for support to be better targeted if criteria are based on individual circumstances.

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?

Providing information about smart meters would be both reasonable and proportionate, and if done well should help customers understand the benefits of smart metering. It will be important that this communications opportunity is not used for more aggressive sales pitches for the installation of smart meters. We have seen several cases (not related to WHD) of consumers being given the impression that smart meters are mandatory which can cause upset and confusion. It will be important that any smart metering communication materials avoid this risk, particularly for vulnerable consumers that WHD targets.

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.

We agree with proposals for installations to be Trustmark registered.

Trustmark is the main initiative to deliver the Each Home Counts recommendations, which were required to address serious shortfalls in consumer protection in the market for home energy technologies⁹. Requiring Trustmark registration should help ensure that minimum standards are met in terms of quality of work, standards of customer service, and redress if things go wrong. The Trustmark requirements cover standards that consumers should reasonably be able to expect from a government-backed scheme, but that have

⁹ Dr Peter Bonfield, OBE, FEng, [Each Home Counts An Independent Review of Consumer Advice, Protection, Standards and Enforcement for Energy Efficiency and Renewable Energy](#), December 2016

often been lacking in past schemes, for example in the Energy Company Obligation.

We support this step towards consistency between government schemes. Consumers who get a central heating system through WHD industry initiatives should receive the same level of consumer protection as through getting a heating system through the Energy Company Obligation, both of which are ultimately delivered by suppliers. The existence of multiple consumer protection or quality regimes can be confusing to customers, make it harder for consumers to identify legitimate tradespeople or get redress if something goes wrong.

BEIS should ensure that consumers are covered by financial protection requirements set out by TrustMark, for example covering guarantees.

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, we agree. Following these standards should help avoid unintended adverse consequences from the installation of measures in these properties that have more complex issues.

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.

Yes, we agree. Our experience through the Each Home Counts review and research with stakeholders¹⁰ indicates that physical inspections before, during and after are key to delivering quality work. We support technical monitoring for work done through WHD Industry Initiatives. This should be done in a way that's integrated with Trustmark. However, the experience of ECO shows that technical monitoring in itself is not always enough to deliver good quality outcomes but needs to monitor the right issues, be targeted and linked to strong enforcement action where issues occur.

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

We have argued for many years that the participation threshold should be reduced to zero, and we remain of that view. The exclusion of small suppliers from obligations has multiple adverse effects.

¹⁰ Pye Tait Consulting for Citizens Advice, 2015, [Research into quality assurance in energy efficiency and low carbon schemes in the domestic market](#)

Firstly, it is socially regressive because it means that some consumers are opted-out of paying towards funding WHD. Studies like the CMA's energy market review have shown that consumers in vulnerable circumstances are less likely to switch than the average, and therefore to be with larger, obligated suppliers. So the threshold has the perverse effect of pushing more costs on to the consumers the scheme is trying to help.

Secondly, it distorts competition. Not needing to pay for this policy gives smaller suppliers a competitive advantage over obligated suppliers. This is likely to distort 'best buy' tables and may contribute to unsustainable pricing as other suppliers seek to match or beat those prices despite not qualifying for the exemption.

Thirdly, it discourages shopping around by consumers in vulnerable circumstances. Many households rely on the WHD and may be worried about the prospect of losing it if they switch. Finding up-to-date information on who offers the WHD is not straightforward and the suppliers who qualify will change over time. The real, or perceived, risk of losing the WHD may deter some consumers in vulnerable circumstances from switching and getting a better deal.

¹¹ As an advice provider, a consequence of the exemption is that explaining a consumer's options to them is more complicated.

While consumers with the smallest suppliers have tended to be less in need of financial support than average, the ongoing pandemic may change this. Over three quarters of a million people have lost their jobs since the spring, and this figure may increase. It is likely that all suppliers - including those who are below the WHD participation threshold - will see more consumers in difficulties. There is a risk that excluding those suppliers from the WHD will cause difficulties for newly vulnerable consumers who cannot access the support that it provides.

The impact assessment suggests that the costs of operating the scheme would not be significant - it highlights that 'In the 2018/19 scheme extension impact assessment, Government estimated that to distribute rebates for only the Core Group, a newly obligated supplier would incur an annual cost of around £4,000/year.' The arguments against removing or reducing the threshold, therefore, appears to come down to two issues - the cost and administrative burden to a new supplier of setting up a scheme, and the short timescales available for doing so.

On the former of these, we recognise that there will be costs associated with suppliers' setting a new scheme. We note that there is limited evidence of what

¹¹ University of Bristol, 2016, [Paying to be poor](#)

these costs are though. The impact assessment does not provide evidence that they would be punitive.

The timetable issue is more clearly problematic. The scheme is due to start in April 2021, but you highlight that the Government Response and Regulations will not be published until early 2021. There would be limited time for newly obligated suppliers to put in place systems to offer the scheme.

We think the onus remains on exempt suppliers to demonstrate that it would be unduly onerous to require them to participate in the WHD before a decision is made to retain their exemption.

If the current thresholds remain in place, government should consider whether there are alternative ways to require suppliers below the participation threshold to make a contribution towards helping consumers in vulnerable circumstances that can be quickly and easily implemented. For example, some of the activities that are allowable under the Industry Initiatives aspect of WHD, such as the provision of financial assistance, energy efficiency advice, or assistance with checking or claiming benefits, can be outsourced to organisations that already have systems in place to deliver those activities.

We are mindful that what is proposed is simply a one-year extension and that the department will need to grapple again with the issue of whether exemption thresholds will remain in place when it considers what will replace the WHD next year. We encourage the department to undertake that policy development in good time to avoid the risk that the argument over whether exempted suppliers have time to put in place the scheme recurs next year.

15) Can you provide evidence of the administrative costs of delivering the Warm Home Discount rebate and the Industry Initiatives scheme? We have provided a template for this.

Not answered.

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.

We support this requirement, in order to improve the Supplier of Last Resort (SoLR) process. However, we note that in our experience failing suppliers may be unable or unwilling to provide information of sufficient quality. This can be caused by factors like the company focusing solely on trying to rescue the business, and by key staff leaving due to the imminent failure.

To tackle this issue, Ofgem's Supplier Licensing Review has proposed that suppliers create Customer Supply Continuity Plans, which are 'accurate and prepared with due skill and care, and... updated at all times' and which contains details of data sets, where they are held, how they are kept up to date and how they can be handed over in the event of failure.¹² Ofgem should ensure that these plans include details of data on WHD payments, to ensure that the proposed reporting to DWP and Ofgem is more likely to be planned ahead of time.

Ofgem should also use its new 'milestone assessments' of supplier operational capability as they pass 50,000 customers to ensure that the Continuity Plan has included WHD, which will apply from the point the supplier passes 150,000 customers onwards. It should also do so during any 'dynamic assessments' of suppliers (ad hoc assessments when suppliers appear to be troubled).

Notwithstanding these mitigations, we think there could still be occasions when failed suppliers are unable to provide information of sufficient quality, and it may fall to the administrator to work with the SoLR to ensure delivery of WHDs to customers.

Under the current scheme design this risk is somewhat limited because suppliers that have failed have generally been below the threshold for providing WHD. However, this is likely to become more pertinent if thresholds are reduced or removed in future reforms. Further consideration of the consumer impacts should be given when doing so. We think that when a supplier fails their customers - who are already likely to suffer short term financial losses and stress - it is fair that they should continue to receive WHD, and that this should be a mandatory condition of the SoLR process for new suppliers.

17) Do you agree that a 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 have no evidence on the appropriate level of non-core overspend that should be allowed, but we agree that an increase is warranted to enable suppliers to facilitate SoLRs taking on a failed supplier's non-core obligation. As before, we think that future reform of the scheme should look at how to make this mandatory.

18) Do you agree with removing the second reconciliation?

¹² Ofgem (2020) [Statutory Consultation – Supplier Licensing Review: Ongoing requirements and exit arrangements](#)

Not answered.

19) Do you agree with the proposal to carry forward voluntary and compulsory smaller energy suppliers' undelivered rebates and add the value of these rebates to their non-core obligation for the scheme year when they become fully obligated? Please provide reasons for your answer.

Yes, we agree that this will ensure delivery of rebates by suppliers as they transition from the voluntary and smaller supplier schemes to the fully obligated scheme.

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?

The best way to avoid costs would be for all national schemes to use a fully data matched approach, regardless of the different eligibility criteria. This will reduce the administrative burden on suppliers across the board.

If eligibility criteria are set such that one national scheme requires an application process and the other is automatic, this is likely to give rise to higher costs for the application-based scheme. This could give suppliers based in one nation incentives not to expand across the border, because of the administrative costs this might create.

Any change to eligibility criteria across the nations should try to avoid this outcome. If it is unavoidable then it could be mitigated through a reconciliation process to ensure suppliers share the administrative costs fairly.

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

Changes to automatically provide rebates to eligible households using data available for England and Wales should significantly reduce the administrative burden and enable the removal of supplier thresholds. A similar approach in Scotland would have the best consumer and supplier outcomes.

If Scotland's eligibility criteria and process for applying rebates carry a much higher administration cost which cannot be mitigated, there may be a case for a different threshold to apply in Scotland in order to protect small suppliers from disproportionate costs. However, this would put consumers in Scotland at a significant disadvantage and is an outcome that BEIS and Scottish Government should work together to avoid.

If the scheme costs in Scotland are only slightly higher or the same as in the rest of Great Britain (on a per customer basis), or can be mitigated through reconciliation, then it would be preferable for the thresholds to be the same in each nation.

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