

Warm Home Discount: Better Targeted Support from 2022
Department for Business, Energy & Industrial Strategy

Written evidence submitted by Care & Repair Cymru: August 2021

Introduction to Care & Repair

1. Care & Repair Cymru is Wales' Older People's Housing Champion. Our aim is to ensure that all older people in Wales can live independently in safe, warm, accessible homes. We are the national body for Care & Repair in Wales, representing 13 independent agencies operating in every county offering a wide range of home improvement services, tailored to client's needs and local circumstances. Last year we supported over 47,000 older people across Wales, carried out over 17,000 adaptations in the home to help prevent trips and falls, whilst delivering £14.5 million's worth of repair and improvement work to improve the health, safety and warmth in people's homes.¹
2. Care & Repair works with older people in the private housing sector, owner occupiers and private tenants. A third of our clients live alone, a third have a disability and two thirds are over 74 years old.
3. '70+ Cymru' is a specialist Wales-wide project led by Care & Repair Cymru tackling fuel poverty amongst older people in Wales. The project aims to improve the warmth, comfort, and quality of life for older owner occupiers and private tenants by providing advice and support on home energy saving techniques and housing improvements to enable them to heat their homes to over 70°F.

Improving the targeting of the scheme

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?

Strongly agree. Our caseworkers note that older clients on low income are more likely to self-ration:

"I visited a client who was only able to sit in the kitchen and was using her oven for heat. The house was full of damp and the client suffered from COPD. There was a fully working heating system, but the client was frightened to use it due to increasing fuel bills"

"Client receiving low income, stone terrace house with 2ft thick walls, heating running at 18c, watches TV with fleece on."

For some older people, many of whom may be reluctant to engage in behaviour change, consistency with knowing that they will continue to receive the rebate is vital in encouraging

them to heat their homes to a warm temperature that is comfortable and does not exacerbate existing health conditions linked with cold homes, such as cardiovascular and respiratory conditions, and mental health conditionsⁱⁱ.

Although we strongly agree with keeping the current eligibility of Core Group 1, the latest government statistics show that only 63% of people who are eligible for pension credit claim it.ⁱⁱⁱ We recommend a national cross-government targeted campaign for the uptake of pension credit to ensure that the Warm Homes Discount really does reach all those eligible.

2. Do you agree with the proposal to replace the Broader Group with a new Core Group 2 who receive the rebates automatically, rather than having to apply?

In part. We agree with the proposal to replace the Broader Group with a second Core Group 2, as well as the receipt of rebates automatically. We have found the current applications process to be deeply unfair as applications are treated on a first-come-first-served basis by energy suppliers, meaning those vulnerable customers who apply in winter are often too late to receive the rebate. A more prescriptive approach will increase the reach and accessibility of the scheme.

However, currently – and in proposals at present – there is nothing to cope with exemptions or complex cases which may not automatically be eligible for an automatic rebate. See response to question 4.

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?

In part. We agree with the need to limit eligible benefits to means to those that are means tested. However, we worry whether the data matching process in Core Group 2 will work as planned.

Although the consultation states that data from the Valuation Office Agency – applicable to England and Wales – will be used, the exemplar methodology in the consultation documents relies heavily on the English Housing Survey, for which there is no Welsh equivalent. The Welsh Housing Conditions Survey was last conducted in 2018. We would like reassurance that robust methodology will be used to calculate eligibility for those living in Wales, to ensure an equitable reach of the WHD across UK nations. For example, Wales has higher incidence of rural fuel poverty and a larger proportion of households reliant on oil or LPG fuels, but so far data suggested does not take into account the heating type – which could disproportionately negatively affect households in Wales.

VOA data would also mean that larger houses are arbitrarily more eligible for the rebate: it does not take into account how many people live in a property; or, again, the type of fuel being used to heat the property. Yes - larger houses may get colder more quickly than smaller houses and require more heating – but using floor size alone could lead to smaller houses with households on lower incomes and living in deeper fuel poverty being left off the scheme on the basis of a small floorplan.

Moreover, VOA data may become irrelevant and incorrect between the start and end of the scheme, so there need to be opportunities built into the scheme to reassess criteria to include people that may have been excluded in the first year. Evaluation will also mean that there will be opportunities to see how well this data matching is working in a wider sense, and perhaps move away from VOA valuations to more energy-focused EPC data matching. Again, the potential use of EPC should not be to the detriment of the households that do not have this data available.

The methodology will not capture everyone. We strongly believe that there should be a threshold where those cases that fall just outside the rebate are reviewed by a person on a case-by-case basis.

4. Do you agree with our approach that 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.

This would be a good step, yes. While most people on disability benefit are already in receipt of another benefit that would make them eligible for inclusion in Core Group 2, any people left behind should be eligible for other schemes that would ensure they get any help needed with their heating bills. This includes people living with disability and health conditions impacted by fuel poverty. Welsh Government's NEST scheme^{iv} has used NICE NG6^v guidance to expand its health eligibility, which has been met positively by Care & Repair' caseworkers and seen a dramatic increase in successful referrals to the scheme.

People who may be in need of support to move out of fuel poverty and settle energy debt who will not meet criteria to sit in either core group are few. However, their need may be great. Industry should have built-in capacity to consider and assess exceptional applications to whatever initiatives are put in place. We support NEA's call for government to adopt the ALGO-CARE standard and would urge Industry to ensure that a human makes any final decisions in exceptional appeals to rejected applications.

It would be great to see a variety of social tariffs from each energy supplier for vulnerable customers. Dwr Cymru has developed a variety of ways to support people who struggle to pay and self-regulate their household's water use^{vi}. We would value a similar approach from all energy suppliers.

5. Don't know.

6. Don't know.

7. Don't know.

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

No. We have concerns about the accessibility and understandability of the process. As noted in our answer to question 1, many of our clients do not acknowledge or realise themselves to be fuel poor or believe they can 'make do' despite entitlement.

Only 49% of people aged over 75 in Wales have access to the internet. They will not be able to access a website for more information, as advised. We also encounter clients with sight and/or hearing loss. The sweep up process makes no mention of other accessible forms of communication, nor for households with other sensory loss.

In our experience delivering wider income maximisation work we know that realistically many older people will simply not call DWP, because they may be unable to do this without assistance, or find the process confusing or intimidating, or do not want to be seen as a 'burden'. The scheme should be targeting these vulnerable people, not pushing them away.

The sweep up process as in makes it more difficult, and therefore more unlikely, for older people to challenge decisions.

9 – Don't know.

Overall spending targets

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

Yes.

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%?

Yes.

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

Yes – however we believe this should come with additional guidance and checks for industry energy suppliers in the form of an auditing process, to ensure that suppliers are not simply ticking a box or relying entirely on other organisations such as third sector partners to operate their initiatives.

Procurement for initiatives run by Third sector organisations needs to focus on both the actual cost of delivering solutions and Government's desired outcomes, rather than on numbers of people able to access proposed initiatives. This approach would take considered design and development. Delivering quantity in these initiatives is an easy fix but does not resolve a household's difficulty long term. As well as need full involvement of suppliers and third sector fuel poverty champions and would require significant commitment and investment from all involved.

For example, across the Care and Repair movement - and particularly on our Energy Redress funded 70+ Cymru project - we work in collaboration with a number of effective and experienced third sector energy projects across Wales. Many of these projects are focused on quantity of households helped and on delivering solutions over a telephone call. Where clients fall outside of eligibility criteria for existing energy initiatives (for example NEST, ECO3) there is a finite limit to some telephone-based support. Occasionally such an external energy project may refer their clients to our 70+ Cymru project (funded by Energy Redress). Our team of

Home Energy Officers will arrange to visit clients and offer a holistic energy and support assessment in their homes. Currently, our HEOs study and learn new initiatives as they are offered and, in addition to domestic energy assessments, will talk eligible clients through all available options to find ways to alleviate fuel poverty. There is a cost involved for us to do this, as there is for many small projects; there is value to our work for energy industry suppliers. Any Industry initiatives should take this into account and make reasonable funds available: while the 70+ Cymru project is a lifeline for many, suppliers need to offer more help to vulnerable consumers from the start.

Rather than procure third sector suppliers for specific energy initiative projects, we suggest that Industry works on ways for third sector organisations to demonstrate suitability and apply for “trusted” status to deliver them in line with existing, successful energy work.

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?

No. This would place additional risk onto charities delivering the initiatives. See our response to Q12 for explanation around delivery of such schemes.

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?

No. the rebate should remain at £140 to target more households and should certainly not drop below it.

The figure should be under review throughout the scheme on the basis that energy prices are likely to increase over the duration of the WHD scheme. Already this year we have seen OFGEM allow suppliers to increase the price cap on energy bills following wholesale energy price increases. The increase, that comes into play from October 2021, follows an increase of £96 in April 2021. This will hit our clients, and all people struggling with fuel poverty, hard. Those on dual fuel tariffs could see an increase of up to £139 per year. For those on prepayment meters, the hit will be even worse – could be up to £153 per year. Once again, we will see those who need to have prepayment meters footing a bigger proportion of the increase.

Moreover, if the rebates remained at £140 instead of rising to £150, the scheme with its new criteria would be able to reach an estimated extra 21,000 homes, or add another £30million to the pot for industry initiatives.

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

Yes, on the basis that the proposals will remove the first come first served element of the rebate which poses problems in the winter months at present.

There is nothing in the consultation about payment dates for the scheme, but under the current scheme payments are not made until well into Winter (after Christmas). In the new scheme,

this should be changed to an earlier payment date. Data matching for the core groups should also be carried out sooner/more efficiently to allow this to happen.

Industry Initiatives

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.

In theory, we welcome the fact that there will be a minimum spend. This will hopefully allow the scheme to reach as many people as possible.

However, financial assistance only goes so far. It may be more prudent to have a minimum 'household helped target' as well as the minimum spend. The £10 million cap seems arbitrary and having a £5 million gap between the minimum and maximum could lead to additional uncertainties.

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?

Yes.

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

Yes. Recent changes to energy price caps have hit those on prepayment meters hardest. For those on prepayment meters, the hit will be even worse – could be up to £153 per year. Once again, we will see those who need to have prepayment meters footing a bigger proportion of the increase.

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?

No. We do not agree that this cap should be reduced. In the absence of better solutions for those struggling with energy debt, a cap reduction would obviously be detrimental for many.

Additionally, debt write off should be reserved for those worst off and with the highest level of debt. This should be subsidised with more programmes to educate those struggling with debt as to how to better manage their fuel bills without rationing their use to the point of fuel poverty.

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.

Yes. The individual debt write-off cap could remain as it is. Assuming everyone in debt has the maximum amount of debt allowed by the cap - which, of course, is unlikely to be the case - 2500 households would be able to be helped with this money.

In reality, Citizen's Advice estimated that at the end of 2020 the average level of debt is £760 for electricity and £605 for gas: a total of £1,365. It was also estimated that a total of 2.1million households are behind on their bills^{vii}. Of course, not all of these will be eligible for help or rebates under the Warm Homes Discount, and not all of these households will be in arrears for both electricity and gas.

Accounting for the average level of debt, a reduction in the overall spending to £5million would mean that only around 3663 households that are in debt would be able to claim help. With that in mind – and the average amount of energy debt in the UK – we believe the cap should remain the same to ensure that the maximum number of households can be effectively helped.

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 recommend using the NICE NG6 guidelines when determining eligibility, as stated in response to Q4, and factoring in people with disabilities including sensory loss.

More widely, we hope to see consideration of wider UK carbon emission targets incorporated into this scheme in the coming years. The installation of new gas boilers may be counterproductive to the UK and Welsh Governments' aims for net zero by 2050. But it is up to energy suppliers – and to some extent, the Government – to provide more environmentally friendly heating sources and/or funding, and vulnerable consumers should not be penalised for something over which they have little control. This could be done by encouraging the installation and use of heat pumps in homes, which would be in line with the UK Government's "Future Homes Standard" or ensuring that any boilers installed in homes are Gas Condensing Boilers and not standard, cheap boilers that are more costly to run and less environmentally friendly. Both of these are likely to require additional works to a property, which cannot be the responsibility of already vulnerable consumers.

Similarly, devolved Scottish and Welsh governments are taking their own actions to tackle climate change. We recommend working with devolved administrations to better link up this policy. For example, in the Welsh context this raises questions as to how installations will fit with Wales' plans for retrofitting central heating in the coming years, and whether the onus for retrofitting on the consumers and property owners, how will a new boiler affect their opportunities for funding and retrofitting in the coming years?

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

Yes, if eligibility is adopted to reflect our recommendation above.

Supplier participation

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.

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

Yes.

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.

N/A.

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?

N/A.

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?

No. Any SoLR should take on the WHD obligations.

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

Yes, if it isn't going to be mandatory and only if the approval criteria are consulted on.

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

Yes.

Administration of the scheme

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

Yes.

Additionally, Ofgem could have a more regulatory role for the administration and execution of the scheme by suppliers. In Wales, we have come across what we deem to be unfair application of the WHD: favouring applicants who were already in receipt of the WHD in the previous year, and then randomly choosing from the remaining applicants as to who else should receive the discount.

While issues such as this may be alleviated by the data matching and addition of a second core group, practises like this must be extinguished and Ofgem could have a role in doing so. This is especially true for industry initiatives, where the supplier has complete control over the applicants that are able to access these.

If Ofgem are unable to regulate this process, then it must fall on the Government, BEIS, or a similar independent body.

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

Yes, but this should obviously be subject to merger rules and monopolies should be avoided.

ⁱ For more information, please see Care & Repair Cymru's 2019/20 Annual Report. Available at: https://www.careandrepair.org.uk/files/9716/0130/8166/Annual_Report_19.20_E...pdf

ⁱⁱ <https://www.nice.org.uk/guidance/ng6/chapter/1-recommendations>

ⁱⁱⁱ <https://www.gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-2018-to-2019> .

^{iv} <https://nest.gov.wales/en/eligibility/>

^v <https://www.nice.org.uk/guidance/ng6/chapter/What-is-this-guideline-about>

^{vi} <https://www.dwrcymru.com/en/my-household/get-help-paying-your-bill>

^{vii} <https://www.citizensadvice.org.uk/about-us/about-us1/media/press-releases/covid-drives-over-half-a-million-people-into-the-red-on-energy-bills/>