

# Citizens Advice Scotland's response to BEIS' consultation on Warm Home Discount 2022-2026

## August 2021

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### Who we are

Scotland's Citizens Advice network empowers people in every corner of Scotland through our local Bureaux, Helpline and Extra Help Unit by providing free, confidential and independent advice. We use people's real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help and we change lives for the better.

### Summary

Consumers in Scotland experience higher levels of fuel poverty than consumers in any other nation in GB, with 24.6% of all households living in fuel poverty and a median fuel poverty gap of £650 (as estimated in 2019).<sup>1</sup> CAS therefore warmly welcomes the four-year extension to the Warm Home Discount (WHD) scheme.

The WHD provides important funding for the short-term relief of fuel poverty. It works hand-in-hand with the Energy Company Obligation (ECO), which provides a longer-term mechanism to alleviate fuel poverty through the installation of energy efficiency measures. However, while a combination of research and evidence from the Citizens Advice network in Scotland has found that the WHD is seen as vital by those who receive it, it also reveals that WHD is not adequately reaching those who need it most.<sup>2</sup> Our most recent report on the subject, *Mind the Fuel Poverty Gap* showed that 29-32% of Scottish households were eligible for the Warm Home Discount, but only 9.3% received it.<sup>3</sup>

This is despite high demand for advice relating to the WHD across the Citizens Advice network in Scotland. In the final 9 months of 2020, Citizens Advice Bureaux in Scotland recorded a 15% year-on-year increase in the volume of advice provided on the WHD scheme. For the first time since 2012, WHD was the most commonly discussed energy-related issue on which consumers sought advice from their local Citizens Advice Bureau, knocking advice related to billing and metering issues from the top spot. Issues related to the scheme on which people sought advice included: application processes, missed application windows, issues with eligibility, difficulty applying, and accessing WHD after switching.

Our evidence, therefore, suggests that a majority of those eligible for the vital help offered through the WHD scheme are missing out, that there is an opportunity to better target its support to those in fuel poverty and that efforts should be made to remove issues related to the application process and barriers to switching suppliers.

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<sup>1</sup> SHCS (2021) [Scottish House Condition Survey: 2019 Key Findings](#)

<sup>2</sup> Citizens Advice Scotland (2020) [Mind the Fuel Poverty Gap](#)

<sup>3</sup> Citizens Advice Scotland (2020) [Mind the Fuel Poverty Gap](#)

As is outlined in this consultation, there will be changes to the scheme in England and Wales. BEIS have indicated that there will be future consultation with the Scottish Government to create a scheme which addresses the specific nature of fuel poverty in Scotland.

CAS and the wider network of Citizens Advice Bureaux in Scotland have significant expertise and evidence to offer the development of a future WHD scheme for Scotland. We hold the largest data set on societal issues outside the public sector and, together with our wider stakeholder network, we stand ready to collaborate with both the UK and the Scottish Governments in the creation of a future scheme for Scotland.

Unlike proposals within the ECO4 consultation, there is not currently a default position for Scotland should a Scottish WHD scheme not be triggered through devolved powers or should an agreement between the Secretary of State and Scottish Government not be reached. Whilst this consultation document provides an overview of data-matching changes for England and Wales, we agree with stakeholders such as Energy Action Scotland that clarity on the default WHD scheme design for Scotland is urgently needed.

As the majority of the current consultation is not presently envisaged to be applicable (either directly or indirectly) to Scotland, we do not take a view on those issues which currently apply exclusively to England and Wales.

The key part of this consultation for Scotland relates to apportionment, in the case of a separate Scottish scheme. In scheme year 2019-20, Scotland received 10.11% of the WHD rebate spending envelope.<sup>4</sup> As outlined below, CAS is concerned that, given the specific energy cost and affordability challenges many consumers in Scotland face, including geographic and climatic factors, the proposed apportionment figure of 9.4% will result in the UK Government's current proposals exacerbating the problem of fuel poverty in Scotland. This would sit in direct opposition to the Government's commitment to "level up opportunities across all parts of the United Kingdom" and "protect the health of the nation".<sup>5</sup>

## Response to consultation questions

### 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?

Under current proposals, this is not applicable to Scotland. CAS therefore does not take a view on the specifics of this question but in general terms we support the retention of automatic entitlement for recipients of the Guarantee Credit element of Pension Credit in any future WHD scheme that applies to Scotland.

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<sup>4</sup> Ofgem (2019-20) - chart at [Warm Home Discount reports and data](#)

<sup>5</sup> [Queen's Speech 2021](#)

**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?**

Not applicable to Scotland. CAS would, however, support automation of a WHD rebate through an equivalent data-matching scheme for Scotland, in either the event of a Scottish scheme or a continuation of the current WHD scheme in Scotland.

Currently, the evidence from our network, as well as commissioned research presented in [Mind the Fuel Poverty Gap](#), is that the WHD scheme is not reaching those who need it. As mentioned above, between 29-32% of Scottish households were eligible for the WHD but only 9.3% claimed it. A good proportion of those missing out were of working age.<sup>6</sup>

Some of the key issues that clients visiting our bureaux reported were:

- **A limited pot means eligible fuel-poor households miss out:** the result is that eligible fuel-poor households may continue to struggle without access to available support from WHD which does not seem fair.
- **Varying eligibility for the Broader Group between different suppliers which make it difficult to apply and hard to switch.** There is no standardisation for eligibility criteria for Broader Group customers, although certain benefits such as Universal Credit, Child Tax Credit, Jobseeker’s Allowance, and Employment and Support Allowance are accepted by the large suppliers.
- **Non-inclusive applications:** such as short application windows (some as short as a week) which lead to many fuel-poor households missing out. Digital exclusion is also a factor, as online applications are not accessible to those without access to the necessary technology or skills.

Approaches such as automatic data-matching may be a pathway to improving the targeting of the WHD to reach those missing out. CAS recognise that the Valuations Office Agency data does not extend to Scotland but would welcome the use of an appropriate equivalent data set in any future WHD scheme that applies to Scotland.

**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 broad group to 59% under the Core Group 2?**

Not applicable to Scotland.

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<sup>6</sup> Citizens Advice Scotland (2020) [Mind the Fuel Poverty Gap](#)

- 4. Do you agree with our approach that Government should work with energy suppliers and third-party organisations to ensure there is a 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.**

Under current proposals, this is not applicable to Scotland. However, CAS recognises the fundamental importance of Industry Initiatives for delivering financial and non-financial support to those living with fuel poverty and would strongly support their continuation under any future WHD scheme that applies to Scotland. We have given further evidence in our response to question 12.

- 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 Core Group 2 and provide rebates automatically on bills?**

Not applicable to Scotland.

- 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?**

Not applicable to Scotland.

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

Not applicable to Scotland.

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

Not applicable to Scotland.

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

Not applicable to Scotland.

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

No – see below for more detail.

## 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%?

No, CAS does not agree with the proposed apportionment figure. The consultation proposes that apportionment should be proportionate to the number of domestic gas and electricity meters in Scotland compared to the rest of GB. CAS is concerned that this figure does not take into account the circumstances in which many fuel-poor people living in Scotland find themselves. These circumstances are reflected in higher rates of fuel poverty than in any other GB nation.

Whilst fuel poverty is measured differently between nations and is therefore not directly comparable, using the most up-to-date statistics available there are higher rates of fuel poverty in Scotland than in the other GB countries. In 2019, an estimated 24.6% (around 613,000 households) of all households were in fuel poverty in Scotland.<sup>7</sup> In comparison, 13.4% (3.18 million households) of all households in England were fuel poor in 2019.<sup>8</sup>

These higher rates are driven by multiple factors, including:

- **Climate:** Scotland has a colder, wetter, and windier climate than other GB nations. The apportionment figure in the consultation does not take into account higher energy demand as a result of Scotland's more northerly latitude.
- **Metering type:** Scotland's high fuel poverty rates are partly driven by the greater prevalence of non-Economy 7 restricted meters and prepayment meters which limit consumer choice and result in higher-than-average energy bills. It is well-known that consumers with prepayment meters are more likely to be vulnerable<sup>9</sup> and consumers in Scotland are more likely than those in England and Wales to pay for their gas and electricity in advance through a prepayment meter.<sup>10</sup> Those with prepayment meters are also significantly more likely to be in fuel poverty than those who pay for their energy through direct debit or standard credit.<sup>11</sup>
- **Off-gas properties:** Scotland has a lower proportion of households with a mains gas supply than England or Wales and households that do not use mains gas are significantly more likely to be in fuel poverty.<sup>12</sup> In 2019, 43% of Scottish households using electricity as their primary heating fuel were fuel poor, compared to 22% of households using mains gas.<sup>13</sup>
- **Geography:** Scotland's rural and remote communities (including its 94 inhabited islands) are more likely to be living in fuel poverty and extreme fuel poverty. Between 2018 and 2019, rates of fuel poverty and extreme fuel poverty increased in remote rural areas (from

<sup>7</sup> SHCS (2021) [Scottish House Condition Survey: 2019 Key Findings](#)

<sup>8</sup> BEIS (2021) [Annual Fuel Poverty Statistics in England](#)

<sup>9</sup> Ofgem (2021) [Consumer Vulnerability Protections](#)

<sup>10</sup> BEIS (2021) [Quarterly Domestic Energy Customer Numbers](#)

<sup>11</sup> SHCS (2019) [Scottish House Condition Survey: 2019 Key Findings](#)

<sup>12</sup> CAS (2018) [Off-gas consumers: updated information for households on off-gas heating](#)

<sup>13</sup> SHCS (2021) [Scottish House Condition Survey: 2019 Key Findings](#)

33% to 43%, and from 23% to 33%, respectively). Extreme fuel poverty rates in rural areas (19%) were almost twice as high as those in urban areas (11%).<sup>14</sup>

Even when considering percentage of WHD spend by nation over recent years, Scotland has received more than is proposed in the consultation. In scheme year 9 (2019-2020), Scotland received 10.11% of the rebate support provided through the Warm Home Discount scheme.<sup>15</sup>

As Scotland experiences a unique fuel poverty profile, which is driven by several country-specific factors, we are concerned that a 9.4% apportionment figure would represent real financial loss to households who are most at risk of fuel poverty across Great Britain. Based on the proposals in the consultation, Scotland would receive £46 million in 2022 but if proposals for a £150 rebate remain applicable under any future WHD scheme that applies to Scotland, financial support would only be available for around half of fuel poor households. This figure is markedly lower than the potential reach of the available funding proposed for England and Wales. In terms of maximising the potential of a fuel poverty scheme like the WHD to reduce the incidence and depth of fuel poverty across GB, apportionment would need to be adjusted to account for these factors.

There are alternatives, which may be more appropriate by considering apportionment on a needs' basis and which do not appear to have been considered. As the UK Government's stated objective behind the WHD scheme is to help those in fuel poverty, the expansion of the scheme for the next four years offers an opportunity for targeting support to the countries and regions of Great Britain where fuel poverty is most prevalent, in line with the government's levelling-up agenda, helping to tackle inequality.

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

Under current proposals, this is not applicable to Scotland. However, CAS would strongly support a proposal to make spending on Industry Initiatives mandatory rather than optional under any future WHD that applied to Scotland. We recognise the value of Industry Initiatives and their ability to support households through financial and non-financial means. As shown in Table 1, based on Ofgem's figures for WHD scheme year 9 (2022-26), Industry Initiatives shows significant value as a result of funding initiatives. Whilst Ofgem's figures account for a GB-wide impact, Industry Initiatives also provides significant value for Scotland. For example, Industry Initiatives has allowed the Citizens Advice Network in Scotland to deliver the Energy Best Deal project, which will be delivered for the eleventh consecutive year in 21/22 (subject to Ofgem approval). This has allowed CAS to build up strong relationships with different energy suppliers, delivering the Initiative on their behalf in communities throughout Scotland. to deliver the Energy Best Deal project which will be delivered for the eleventh consecutive year in 21/22

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<sup>14</sup> SHCS (2021) [Scottish House Condition Survey: 2019 Key Findings](#)

<sup>15</sup> Warm Home Discount Annual Report: Scheme Year 9, Ofgem (2020) - chart at [Warm Home Discount \(WHD\) - Reports and data | Ofgem](#)

(subject to Ofgem approval). This has allowed CAS to build up strong relationships with different energy suppliers, delivering the Initiative on their behalf in communities throughout Scotland.

Table 1: Value for Money of Industry Initiatives<sup>16</sup>

<b>Industry Initiative Activity</b>	<b># Customers Helped in SY9</b>	<b>£ spent in SY9</b>	<b>Estimated Value</b>
Benefit Entitlement Checks	40,000	£3.5m	£40m
Energy Efficiency Measures	35,000	£12.5m	£42m
Energy Advice	300,000	£9.5m	£30m
Debt Assistance	25,000	£6.3m	£12.4m
Financial Assistance Payments	11,000	£631k	£1.2m
Mobile Homes	4,000	£560k	NA
Referrals	33,000	£245k	NA
Management/Admin Costs		£4m	NA
<b>Total</b>	<b>456,000</b>	<b>£37m</b>	<b>£125m</b>

Assuming that thresholds remain for Scotland, making Industry Initiatives mandatory for obligated suppliers would ensure that the positive impact of Industry Initiatives can continue for Scottish consumers.

<sup>16</sup> Ofgem (2021) [Warm Home Discount Annual Report: Scheme year 9](#), p. 25.

## Industry Initiative Case Study: Energy Best Deal

Energy Best Deal is funded through Industry Initiatives and delivered by Scottish Citizens' Advice Bureaux. In 2020/21 (scheme year 10) Energy Best Deal was funded by SSE, Scottish Power, E.ON and nPower. Energy Best Deal sessions are delivered to consumers, in or at risk of, fuel poverty and to frontline workers who come into contact with these vulnerable groups. Advice may include: switching supplier or switching tariff; applying for Warm Home Discount; help around energy efficiency measures; advice on benefits and fuel debt; support with billing or metering issues; advice on reducing energy consumption through energy efficient measures; help with complaints; and access to emergency funding.

Energy Best Deal workshops give local groups of consumers the information they need to make informed decisions about their energy issues. Separate workshops for frontline workers empower them to be able to offer advice and support around energy issues to their clients, understand the impact of fuel poverty on their clients and be able to effectively signpost or refer their clients to any appropriate additional support. Through Energy Best Deal, Citizens Advice Bureaux in Scotland helped clients with 18,036 issues in 2020/21. In that time, the project secured £443,944 in financial gains for clients, representing significant fuel poverty alleviation for those clients. For non-financial outcomes, advice has included adding 159 people to the Priority Services Registers, 98 foodbank referrals and 36 successful referrals to Home Energy Scotland for energy efficiency improvements.

Feedback from clients has also shown the value that they place on the advice they have received and the benefits for them. 91% of clients who filled in a survey rated the service and support they received as very good or good. 92% of clients reported that their peace of mind has improved following the appointment. 84% of clients said their ability to manage their energy bills has improved, including having cheaper energy bills.

Client feedback has been positive, for example:

*"Had a large debt over my head for some time and thanks to this service had it all cleared. AMAZING EFFORT thank you!"*

*"Had gas debt looked into and sorted. Gas now reconnected and in a warmer home after 9 months. Great."*

*"Extremely good/useful service which was carried out very professionally in extremely difficult circumstances (covid)"*

*"Absolutely brilliant so grateful for the service. Such a lovely efficient manner means a lot to me to be helped this way and have 1 less thing to contend with."*

As is evidenced, delivery of the Energy Best Deal project by local Citizens Advice Bureaux ensures advice is provided in a holistic way, taking into account a person's broader circumstances and not just those related to their energy costs. Advice on a range of issues can be provided or the client can be signposted to, for example, Home Energy Scotland for practical support or local foodbanks, making Industry Initiatives spending very impactful in addition to the one-off rebate scheme.

- 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?**

Not applicable to Scotland.

- 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?**

With the accompanying expansion of the WHD spending envelope, CAS would support the increase in the value of the rebate to £150 if such a rebate continues to be offered in Scotland. The increase should take place regardless of whether there is a continuation of the current scheme in Scotland or the scheme is redesigned. We will urge the Scottish Government to consider a more regular review of the rebate amount available for Scottish consumers which could take into account changes, for example, in energy prices.

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

Yes, CAS agrees with this proposal.

- 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.**

Not applicable to Scotland.

- 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?**

Not applicable to Scotland.

- 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?**

Not applicable to Scotland.

- 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?**

Not applicable to Scotland.

- 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.**

Not applicable to Scotland.

- 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?**

Not applicable to Scotland.

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

Not applicable to Scotland.

- 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?**

Not applicable to Scotland at this stage. CAS will respond on obligation thresholds when they are consulted on for Scotland.

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

Not applicable to Scotland at this stage. CAS will respond on obligation thresholds when they are consulted on for Scotland.

- 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.**

CAS has no evidence to provide in response to this question.

- 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, CAS agrees with this proposal in the event that the current scheme continues in Scotland.

- 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?**

In the event of a WHD scheme that applies to Scotland, we would not agree with the continuation of the current SoLR arrangements as they stand. We agree with stakeholders like Energy Action Scotland that eligible households should be paid their rebate (who otherwise risk being unable to receive a rebate if they cannot reapply in the event of supplier failure) and work which is taking place under the Industry Initiatives should be delivered; it would not be fair for consumers to pay towards a policy that does not deliver its intended outcomes.

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

Yes, CAS agrees with this proposal.

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

Not applicable to Scotland.

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

Yes, CAS agrees with this proposal.

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

CAS has no evidence to provide in response to this question.