

Consultation Response

Designing a durable energy bill policy in an age of high prices – consultation.

Social Market Foundation

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About this consultation

The Social Market Foundation (SMF) is looking to develop long-term policy plans to protect households from high energy prices. Forecasts indicate that energy prices could remain higher than average throughout the decade. The current approach for supporting households is inadequate for the challenge. What is needed is a coherent, evidence-based approach from first principles to design durable policies that garner public support. This consultation aims to help SMF develop energy bill support policies that offer households certainty and protection in the age of high and volatile prices. Our response will help underpin SMF's final report in spring 2023.

Key points and recommendations

- Age UK is clear that the legacy of this cost-of-living crisis and spiralling energy costs must be longer term sustainable solutions for those in greatest need.
- Improved data matching processes and smart targeting of support are essential to improve consumer protections in the energy market and should be made a priority.
- Age UK recommend the introduction of a social energy tariff which discounts energy bills for those most in need, automatically enrolls eligible households, is mandatory for all suppliers, and complements existing consumer protections.
- The Government must immediately set a higher ambition for household energy efficiency and radically increase funding for those on lower incomes.
- Commitments to households off the gas grid must be honoured and exceeded – at minimum the lingering £1.4 billion shortfall in Home Upgrade Grant (HUG) funding must be delivered.
- Age UK propose five criteria for identifying those in greatest need in the energy market, which include flexible provision for those missing out on welfare support.
- Reforms to the electricity market could bring widespread reductions in energy bill costs so long as these reforms remain focused on consumer outcomes.

About Age UK

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances. In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high-quality health

and care; are comfortable, safe and secure at home; and feel valued and able to participate.

Introduction

Age UK is keen to ensure the needs of older consumers are fully accounted for throughout the development of future energy bill support policies, and we warmly welcome the opportunity to respond to this consultation¹. Our focus is to ensure that future energy bill support policies protect older consumers from the devastating impact of fuel poverty.

Since 1st October 2022 the typical consumer has needed to cover a £2,500 annual bill, with this expected to rise to £3,000 from April. While the prospect of a fall in prices to £2,800 from July² will bring welcome relief this still represents more than double the 2021 price. The impact of these spiralling prices has been devastating – our estimates show around three in ten (29%) older households in England are fuel stressed³, up from around one in ten (10%) only last year.⁴

Age UK is clear that the legacy of this cost-of-living crisis and spiralling energy costs must be longer term sustainable solutions for those in greatest need. This includes people on lower incomes, those with disabilities or long-term health conditions, and households operating at home medical equipment like dialysis machines. Our below responses make the case for what needs to happen next – laying out the argument for improved household energy efficiency spending and the introduction of a social energy tariff.

1 - Should help with energy bills be universal, or should support be targeted in some way on groups deemed to be in particular need of help?

Universal support and targeted support each have their part to play in addressing unsustainable energy bills. The Energy Price Guarantee (EPG) and Energy Bills Support Scheme (EBSS) are close to universal, and there is no doubt that they have provided lifesaving relief this winter. Crucially, because they are universal, people who are missing out on their benefits entitlement are not excluded. At the same time universal support is generally more expensive to the Government and therefore often less generous. Our argument is that targeted help is better at supporting those in greatest need but that eligibility criteria should be encompassing of all those at risk of poverty rather than excluding certain groups (e.g. those missing out on their benefits entitlement).

As explained, universality comes with the upside of supporting everyone but the downside of increased cost and a related reduction in the depth of support provided. The Energy Price Guarantee serves as the best example. It is a near universal scheme and is linked to the unit cost of energy. This means its price remains variable. Estimates of the original scheme proposed under Liz Truss's Government varied from £72 billion to £140 billion⁵. With cuts to the scheme and energy prices coming down the final cost is likely to be substantially lower than these initial estimates, but the principle remains the same – the universality of the scheme made it more expensive.

Age UK commissioned Opinium to undertake polling to assess people's views on different aspects of the energy crisis, which was completed in two waves – September 2022 and January 2023. We asked about views on the Government's approach to supporting households and found that the majority are in favour of continued Government support. In September 2022 79% of older people wanted the Government to provide universal support which helped everyone with their energy bills compared to 82% who wanted targeted support to those on lower incomes⁶. In January 2023 support for universal measures was slightly lower at 72% while support for targeted measures had remained relatively high at 78%⁷. This indicates a deeply embedded notion among older people that the Government is right to have provided support and should continue to do so.

Targeted support comes with significantly less cost than does universal support. The EBSS scheme is a good example. Estimated costs for the scheme based on early projections stand at around £11.6 billion⁸ but delivering it just to fuel poor households would have cost around £1.3 billion⁹. This would also have left significant scope for increasing the value of the payment beyond £400 to provide deeper support to those in greatest need.

Targeting comes with a pitfall though – it excludes those missing out on the defined eligibility criteria. Age UK is all too aware of the major drawback of heavy reliance on the benefits system as a proxy for identifying those on the lowest incomes. With 770,000 older people who are eligible for Pension Credit still missing out on their entitlement, representing around one third (34%) of all who are eligible¹⁰, it causes a serious injustice when targeted support is so intrinsically linked to being in receipt of benefits. With cost-of-living payments from 2022 through to 2024 now representing £1,550 of additional support for those older people receiving Pension Credit compared to those who are not, the cliff edge of being unable to access benefits or being just outside the eligibility threshold has never been starker.

Age UK's solution is for the Government to be more proactive in identifying households at risk of poverty and deliver support to them regardless of their benefits status. As we explain in response to question 2 below, there are now far more developed data matching processes within the Department for Business, Energy, and Industrial Strategy (BEIS), His Majesty's Revenue and Customs (HMRC), and the Treasury which could be used to broaden the eligibility pool for targeted support. This would better balance the Government's goal of keeping costs down while ensuring that support is delivered to all those who need it most. It would also free up spending to provide deeper levels of support to those in greatest need.

a - Selection: Who should receive targeted support with energy bills? How should selection criteria account for income and energy usage?

Age UK propose five eligibility criteria for targeted support in the energy market which comprehensively account for the needs of those of all ages who require further support.

Three of these criteria are linked to welfare support and would include recipients of means tested benefits¹¹, disability benefits¹², or Carer's Allowance.

The final two criteria are designed to help those who miss out on their benefits entitlement but are still struggling with their bills. Using improved data matching processes (see response to question 2)¹³ eligibility should be extended to include all of those living in relative poverty¹⁴. If improved data matching proves too difficult to implement quickly, a series of existing proxy eligibility criteria proposed by BEIS for the Energy Company Obligation¹⁵ could also be used¹⁶.

Most importantly, the Government should ensure it provides ring fenced flexible funding for its schemes, which should be designed to be adaptive to circumstances. This will not only help in fringe cases where someone misses out on the above eligibility criteria but is still struggling but will also help a wider pool of people with disabilities, long-term health conditions, energy inefficient homes, or who rely on expensive at home medical equipment who, because of their circumstances, are still in tremendous need of support. Two of the best examples of flexible provision in the energy market are the Warm Home Discount's Industry Initiatives¹⁷ and the LA and Supplier Flex wing of the Energy Company Obligation¹⁸. Both schemes already represent existing ways the Government delivers bespoke flexible funding to those in need who might otherwise miss out on support.

b - Incentives: How can a system of targeted support avoid - or lower - cliff - edges that see some recipients losing significant sums of money because of changes in their circumstances?

Our own research indicates the cost-of-living crisis is increasingly straining the budgets of middle and even higher income older households¹⁹. This means more and more older people who are above the threshold for benefits are missing out on support when they need it or are suddenly seeing their financial circumstances change and find themselves unable to make ends meet. This is where flexible support becomes so important (see final paragraph, response to question 1a for further details).

c - Stigma. low knowledge and participation: How can a system of targeted support address the risk that some eligible recipients might not claim the help they are entitled to?

Automatic delivery to those in need is key here (see eligibility criteria, response to question 1a). Addressing the stigma of accessing support is partly about removing barriers to access and the risk that people feel uncomfortable in actively seeking help from others to get what they are entitled to. We have supported calls²⁰ for an automatic approach to delivery of future energy programmes like social tariffs.

We would also encourage the Government and regulators to work closely with community and voluntary organisations to raise awareness of relevant programs like Pension Credit

and help address insecurities around access. This could include providing training and resources to community organisations and leaders and working with them to create targeted outreach campaigns that reach eligible individuals who may be hesitant to apply or be isolated from the community.

2. Do you agree that an energy bill policy that seeks to deliver targeted support to those in financial need requires the creation of new state mechanisms to identify those people and deliver that help?

- a. If yes, what information about households' financial situation and energy usage would such a new system require?**
- b. Further, is the creation of a new state mechanism, reliant on knowledge of the personal circumstances of households, politically viable? How might political and public concerns about "database" policies be addressed here?**

We strongly agree. Improved data matching processes and smart targeting of support are essential and should be made a priority. The goal is to be able to accurately identify those households struggling with their bills, living in relative poverty²¹, or who have a disability or long-term health condition without the need to rely on the benefits system as a proxy criterion (see response to question 1a) while maintaining data privacy. There are three primary components that new data matching would need to focus on in the energy market. These are: income; energy costs; and vulnerability.

In terms of income, HMRC and Department for Work and Pensions (DWP) data could be combined to assess income levels and ascertain whether a household is struggling financially. This could be merged with broader data from local authorities (e.g. data on Council Tax reduction), the ONS (e.g. homes in LSOA 1-3 area), banking information (e.g. credit score), and bespoke data (e.g. free school meal status) to build up a better picture of income within a particular household.

Energy costs comprise two components: prevailing energy prices and energy demand. Future energy costs are relatively easy to estimate because the underlying cost of delivering energy at any given time is already assessed on a quarterly basis by the energy market regulator, Ofgem²². Furthermore, BEIS already has a system in place for estimating the energy demand of homes through the Standard Assessment Procedure (SAP) and Environmental Performance Certificates (EPCs) which can be done remotely based on existing data with some degree of accuracy²³. This involves an automatic assessment using the Valuation Office Agency (VOA), EPC/SAP bands, Land Registry data, and in some cases mapping data such as Google Street View.

In terms of vulnerability this could also come from a variety of data sources. DWP data could be combined with supplier and network operator data on Priority Services Register (PSR) status to help triangulate market vulnerability. This would require the PSR itself to be more automatic, as many people remain unregistered despite being eligible. PSR data could then be supplemented with data from suppliers on meter debt, meter-disconnections, and length of meter inactivity to provide a more detailed picture. It would

also be essential to undertake a fundamental review of what energy market vulnerability looks like so as to assess what wider data might be required. The energy price crisis has revealed that the required definition of vulnerability is far more expansive than relying upon the Government's definition of fuel poverty which would provide a relatively narrow conception relative to the sheer volume of consumers struggling.

4. Rejecting rising block tariffs and real price caps leaves two options on the table: fixed payment discounts and per-unit discounts. Both are progressive, delivering the most help to people on lower incomes. Fixed payment discounts can deliver lower bill reductions, given the changes in behaviour they can encourage. Per-unit discounts can deliver the biggest benefits to people on higher incomes, and significantly reduce household incentives to reduce energy usage. We think these two policies, their advantages and downsides, should be considered in more depth as part of a long-term energy bill policy. Do you agree with our assessment of these two policy options? Are there other ways to deliver bill support that we should consider?

Targeted per-unit discounts provide a progressive method of ensuring those with the highest heating and power needs (e.g. people reliant on medical equipment) receive greater support. While fixed payment discounts have their own role to play and are crucial in ensuring people have a minimum level of energy to use, it is also true that we already have the WHD and other fixed price support in place. Further support of this nature would likely duplicate existing schemes and further complicate the energy market without addressing inequalities in energy needs.

From 2024, when the present per-unit discount support delivered via the EPG ends, Age UK believes the best way of delivering ongoing, targeted support is through a social energy tariff. This tariff would discount energy bills for those most in need, automatically enrol eligible households, be mandatory for all suppliers, and complement existing consumer protections such as the WHD and price cap. This would ensure those at greatest risk from fuel poverty are comprehensively protected.

Eligibility would include recipients of means tested benefits²⁴, disability benefits²⁵, or Carer's Allowance. Alongside this households defined as living in relative poverty²⁶, identified using new data matching (see response to question 2) or proxy criteria²⁷, would be eligible, as well as those missing out on access to the benefits system but still at risk of fuel poverty. Age UK analysis shows that these criteria would ensure support for the 10 million UK households at greatest risk from fuel poverty²⁸.

The tariff would operate much the same as the Energy Price Guarantee (EPG) – discounting the price paid per unit of energy consumed – but it would be far more cost effective for the Treasury. To ensure sufficiently deep support we recommend the discounted rate be set at 50% of the energy tariff market rate, or 50% below the price cap – whichever is highest. We estimate the cost of the tariff in scheme year one (2024-25) based on these criteria would be £5.6bn - £13.2bn dependent on prevailing energy prices²⁹.

We are presently conducting research to ascertain the degree of support for a social tariff amongst different groups and will be publishing the final results of this alongside a deeper discussion of how the social tariff would work in February. Provisional results show that in September 2022 72% of older people supported the introduction of a social tariff³⁰ with a similar proportion (71%) supporting it in January 2023³¹. We would welcome the opportunity to discuss this ongoing work with Social Market Foundation (SMF) and their partners as we develop this policy further.

5. Energy efficiency is clearly a vital part of any effort to reduce energy bills, and Britain's poor performance in increasing the efficiency of homes is regrettable in the extreme. Given that a key obstacle to increasing efficiency is an unstable, short-lived policy, an important question here is:

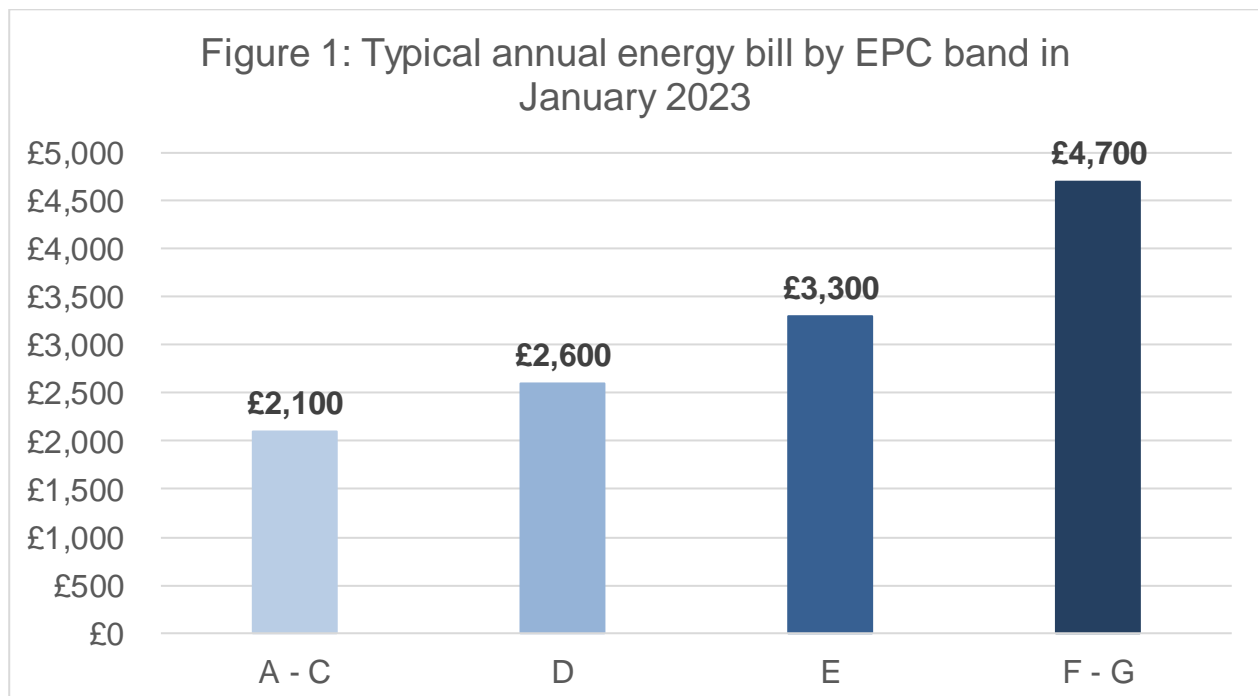
- a. What is the best way to ensure lasting, stable efficiency-promoting policies that can survive economic and political cycles?**
- b. But while there is widespread agreement that efficiency must be increased, many fundamental questions still need to be answered, not least since efficiency policies can and do have multiple aims. Should efficiency policies be set in order to maximise reductions in overall UK energy demand or to maximise the bill savings to those in greatest financial need?**
- c. Responses to that trade-off might help frame answers to a subsequent question: Should government support with the costs of household energy efficiency work be targeted solely on those in financial need of help with bills, or should some support be available to those who are able to pay for efficiency measures but do not choose to do so?**
- d. A related question: Should the group deemed to be in need of help with efficiency measures be the same as the group selected for targeted price support, or should it differ? If so, how?**

Insulation and improved heating systems are crucial to keep out the cold, suppress spiraling energy bills, and meet the nation's climate goals. To truly confront the UK's spiraling energy bill crisis the ambition must be to ensure improvements to household energy efficiency for those in greatest need. We agree with the recent recommendation of the Environmental Audit Committee that a truly colossal mobilisation of energy saving measures and household energy efficiency is absolutely key³². Our response below reflects our general views on what needs to happen to improve access to household retrofits and energy efficiency improvements for those on the lowest incomes and least efficient homes.

Multi-measure whole house retrofits targeted at the most vulnerable energy inefficient households will ensure the Government delivers on its commitment to net zero while ensuring fair access. This will lift at-risk households out of lower energy efficiency bands (measured using an Energy Performance Certificate or EPC), significantly reducing their bills in the process. Schemes like the renewed Energy Company Obligation (ECO4), and its new ECO+ wing, alongside the Home Upgrade Grant (HUG), Boiler Upgrade Scheme (BUS), and longer-term measures expected through the Energy Efficiency Taskforce (EETF) are critical to this process, but more needs to be done to insulate older people from the cold.

There is no doubt that people in the least energy efficient homes pay a premium to keep warm. This is called the energy inefficiency penalty, and it costs older consumers thousands of pounds every year and poses serious risks to their health and wellbeing during colder periods.

Age UK analysis shows that³³ the median annual household energy bill for homes in EPC bands A – C is around £2,100 compared with £2,600 for band D, and £3,300 for band E³⁴. For bands F – G the bill rises further still to a truly staggering £4,700³⁵ (see figure 1). This energy inefficiency penalty has a devastating impact on older people – while one in six older households in the highest energy efficiency bands (A – C) are estimated to be experiencing fuel stress³⁶, for F – G properties the figure increases to almost 9 in 10³⁷.



Age UK analysis of Fuel Poverty Dataset 2019; BEIS; Ofgem. Analysis accounts for the impact of the EPG and Warm Home Discount. The median value was used. Household sample sizes: A/B/C (5,684), D (5,058), E (906), F/G (326).

Insulating the least energy efficient homes against spiralling bills should be a national priority. We welcome the Government's recent announcement of an additional component to the Energy Company Obligation (ECO)³⁸ via ECO+³⁹ and support ringfencing of additional energy efficiency spending from 2025 through the EETF. The Government's 2030 targets of reducing building and industry energy consumption by 15%⁴⁰ and bringing as many fuel poor homes as possible up to EPC band C or above⁴¹ are also worthy goals but it is inevitable these targets will be missed without further support.

While we welcome ECO+ the allocated spend (£1bn spread over three scheme years) falls far short of what is needed⁴². A scheme of 5+ years funded with £1bn per annum would better reflect industry preferences⁴³, fill surplus supply chain capacity⁴⁴, and provide measures for 1.23 million homes instead of the expected 410,000 as proposed⁴⁵. With more than 3 million lower income households living in the least energy efficient properties in England alone⁴⁶, this additional funding would better reflect the scale of need.

Older people strongly support further funding for household energy efficiency. Our research just this month shows that three quarters (74%) of older people think the Government should provide additional funding to households on lower incomes so they can gain access to household energy efficiency improvements⁴⁷. We recommend that the Government up the quantum – spending more money in the short term on energy efficiency to reduce longer term outlays on less sustainable short-term consumer support.

The Government must also renew its commitment to the Home Upgrade Grant (HUG)⁴⁸. HUG is designed to support energy efficiency and heating system improvements for homes off the gas grid. We were disappointed at the lack of additional support for this Scheme during the 2022 Autumn Statement. 1.5 million households in England lack a gas network connection and rely on alternative heating fuels such as oil, bottled gas, and coal⁴⁹ – enduring a higher and deeper level of fuel poverty than those with a gas connection⁵⁰.

Age UK research⁵¹ shows that up to 530,000 of these homes meet the eligibility criteria for HUG but our estimates show that present funding falls far short. Between 2022 and 2025 HUG would, at best, cover just 117,000 homes⁵².

Age UK strongly recommends the Government increases HUG funding as part of its energy efficiency ambitions. Our research suggests that £1 billion of HUG grants per year through to 2032 would be sufficient to upgrade all of the up to 530,000 eligible off-grid homes reliant on alternative fuels (e.g. coal, bottled gas, oil) to EPC band C⁵³.

This additional support would also meet and exceed the lingering £1.4 billion gap in HUG funding – calculated as the shortfall between present HUG commitments and the support agreed in the Government's 2019 manifesto⁵⁴. With more and more older people getting in

touch with Age UK during the energy crisis due to concerns about the cost of their coal, bottled gas, and oil, the Government would provide much needed reassurance by honouring its commitment to the HUG scheme and radically increasing funding.

6. We have largely considered price support and energy efficiency separately in this report. Of course, we acknowledge that in reality, such policies would co-exist and interact. How should price support and energy-efficiency policies interact?

Our proposals for a social tariff (see response to question 4) and our recommendation of a massive increase in household energy efficiency funding (see response to question 5) directly interact. This is because our proposed social tariff would be funded via general taxation which means if the social tariff was a statutory obligation the Government would be motivated to keep associated costs down by improving the energy efficiency of eligible households. We outline this to a greater extent in our upcoming February report and would be happy to discuss this further with SMF (see response to question 4 for more details).

7. Electricity market reform is a vast and complex topic, much of it beyond the scope of this report and this project. But clearly, the way wholesale energy prices are determined is directly relevant to energy bills and the people who pay them.

- a. What principles should underpin electricity market reform, and how can that reform take full account of household energy bills?**
- b. How should market reform policy interact with other energy bill policies?**

Age UK provided a comprehensive response to BEIS's Review of Electricity Market Arrangements (REMA) late last year⁵⁵. We are keen to continue feeding into this process, particularly as it pivots towards retail market reform. We refer the SMF to our consultation response for our full views⁵⁶ but wish to outline a few key areas of importance. Our overarching principle is that electricity market reform must be fair and accessible for older people at risk of fuel poverty. If accessibility is not front of mind, electricity market reforms risk entrenching existing inequalities such as the loyalty penalty⁵⁷ and poverty premium⁵⁸.

Firstly, REMA must commit to facilitate the widespread electrification of domestic heating. New low temperature electrical heat pumps could help reduce consumer bills significantly, but they often require homes to be retrofitted with improved insulation to ensure they function efficiently. Households at risk of fuel poverty must be supported to improve their household energy efficiency and electrify their heating systems if REMA is to succeed –

particularly in cases where people are living off the gas grid (see our response to question 5 for further details).

Secondly, BEIS cited⁵⁹ the importance of allowing consumers to engage with the innovative products REMA could facilitate. While this is a welcome goal, many vulnerable older people are likely to face barriers to accessing these new products (e.g. dynamic time of use tariffs, smart technology). If accessibility is not front of mind, electricity market reforms risk entrenching existing inequalities such as the loyalty penalty⁶⁰ and poverty premium⁶¹. Reforms of the electricity market will fail if the needs of older vulnerable consumers are not embedded throughout.

Finally, Age UK supports investigating reforms to the marginal pricing system. The energy market is presently underpinned by this marginal pricing – meaning that the price per unit (kWh) of electricity is determined by the last energy source delivered onto the grid to meet demand in any given half hour period. Energy sources are placed into what's called a merit order. Renewables are often first, meaning they are brought onto the grid earliest as they generally have the lowest marginal costs⁶². This is followed by nuclear, coal, and then natural gas – generally the last fuel source to be switched on. As a result, the cost of natural gas often determines the final price paid per unit (kWh) of electricity. One of REMA's proposals was to investigate adjusting marginal pricing to allow for cheaper renewable prices. In 2021/22 renewables made up the highest proportion of our electricity supply (38.7%), followed by natural gas (38.5%), nuclear (16.1%), coal (3.8%) and other sources (2.9%)⁶³, so it makes sense that we gradually move away from a pricing system based on fossil fuels. As a result, we supported the Government making changes to marginal pricing subject to a mechanism being devised for ensuring these reforms provide a reduction in consumer costs and consistency of supply is maintained.

¹ SMF, 2022. Designing a durable energy bill policy in an age of high prices. Social Market Foundation. [Online]. Available at: <https://www.smf.co.uk/wp-content/uploads/2022/12/Future-of-Energy-Bills-Consultation.pdf>. [Accessed 20/01/23].

² CI, 2023. Drop in wholesale energy prices sees price cap predictions fall below the EPG for second half of 2023. Cornwall Insight. [Online]. Available at: https://www.cornwall-insight.com/drop-in-wholesale-energy-prices-sees-price-cap-predictions-fall-below-the-epg-for-second-half-of-2023/?utm_source=email&utm_medium=email. [Accessed 19/01/23].

³ We define households experiencing fuel stress as spending more than 10% of their after-tax income on energy costs to maintain an adequate standard of warmth. This definition was used to calculate the fuel poverty statistics in England from 2001 to 2011 and continues to be the definition used in Wales, Scotland, and Northern Ireland to calculate their respective fuel poverty statistics. 5 Age UK, 2022. Research briefing: Estimating the impact of the Energy Price Guarantee (October 2022) on older households in England. Age UK. [Online]. Available at: [estimating-the-impact-of-the-energy-price-guarantee-epg-on-older-households-in-england-september-2022.pdf \(ageuk.org.uk\)](https://www.ageuk.org.uk/research-briefing-estimating-the-impact-of-the-energy-price-guarantee-epg-on-older-households-in-england-september-2022.pdf) [Accessed 10/01/2023]

⁴ Age UK, 2022. Research briefing: Estimating the impact of the Energy Price Guarantee (October 2022) on older households in England. Age UK. [Online]. Available at: <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/safe-at-home/estimating-the-impact-of-the-energy-price-guarantee-epg-on-older-households-in-england-september-2022.pdf>. [Accessed 10/01/2023]

⁵ CI, 2022. Energy Price Guarantee – Counting the Costs. Cornwall Insight. [Online]. Available at: https://www.cornwall-insight.com/energy-price-guarantee-counting-the-costs/?utm_source=email&utm_medium=email. [Accessed 19/01/23].

⁶ Online survey conducted by Opinium on behalf of Age UK between 2nd and 6th September 2022. Sample of 1,200 adults aged 60+ living in Great Britain. Weighted to be nationally representative of this group.

⁷ Online survey conducted by Opinium on behalf of Age UK between 2nd and 9th January 2023. Sample of 1,000 adults aged 60+ living in Great Britain. Weighted to be nationally representative of this group.

⁸ Extrapolated from early estimates of the scheme when it was worth £200 to consumers inflated to the new £400 discount level. See: BEIS, 2022. Energy Bills Support Scheme Managing the impact of the energy price shock on consumer bills. Department for Business, Energy, and Industrial Strategy. [Online]. Available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1068148/energy-bills-support-scheme-consultation.pdf. [Accessed 04/05/22]. Pg48.

⁹ Age UK analysis of the 2022 fuel poverty statistics. The figures for prepayment meter costs relate to electricity prepayment meter customers only. BEIS, 2022. Annual Fuel Poverty Statistics in England, 2022 (2020 data). Department for Business, Energy and Industrial Strategy. [Online]. Available at:

<https://www.gov.uk/government/statistics/fuel-poverty-detailed-tables-2022>. [Accessed 04/04/22]. Table 1.

¹⁰ DWP, 2022. Income-related benefits: estimates of take-up: financial year 2019 to 2020. Department for Work and Pensions. [Online]. Available at: <https://www.gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-2019-to-2020>. [Accessed 25/09/22].

¹¹ Income Support; Job Seekers Allowance; Employment and Support Allowance; Working Tax Credit; Child Tax Credit; Housing Benefit; Universal Credit; Pension Credit.

¹² Attendance Allowance; Disability Living Allowance; Personal Independence Payment.

¹³ Improvements to HMRC, HM Treasury, BEIS and DWP data matching processes will be required, but we have already seen the Warm Home Discount and Energy Company Obligation use improved data targeting to assess eligibility and we will work with the Government alongside sector colleagues to devise improved data matching processes.

¹⁴ Defined as a household with a net equivalised after-tax household income below 60% of median income, after housing costs.

¹⁵ BEIS, 2021. Energy Company Obligation ECO4: 2022 – 2026. Department for Business, Energy, and Industrial Strategy. [Online]. Available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1010366/eco4-consultation.pdf. [Accessed 31/10/22]. Pg34.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1010366/eco4-consultation.pdf

¹⁶ Proxy criteria include: Home is in LSOA 1-3 area, a householder receives a Council Tax rebate – (rebates based on low income only, excludes single person rebates), a householder is vulnerable to living in a cold home as identified in the NICE Guidance (only one from the list can be used), a householder is referred under a Local Authority run scheme which aims to support low income and vulnerable households, a householder receives free school meals, household identified as struggling with sustained debt on utility bills and/or mortgage payments.

¹⁷ See: Age UK, 2021. Consultation Response: Warm Home Discount, Better Targeted Support from 2022. Age UK. [Online]. Available at: <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/consultation-responses-and-submissions/safe-at-home/warm-home-discount--better-targeted-support-from-2022.pdf>. [Accessed 19/01/23].

¹⁸ Age UK, 2021. Consultation Response: Energy Company Obligation ECO4, 2022 – 2026. Age UK. [Online]. Available at: <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/consultation-responses-and-submissions/energy-company-obligation-eco4---maintaining-energy-efficiency-support-from-2022.pdf>. [Accessed 19/01/23].

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- ²¹ Defined as a household with a net equivalised after-tax household income below 60% of median income, after housing costs.
- ²² For example see figures 1, 2 and 3 at: Ofgem, 2022. Latest energy price cap announced by Ofgem. Ofgem. [Online]. Available at: <https://www.ofgem.gov.uk/publications/latest-energy-price-cap-announced-ofgem>. [Accessed 19/01/23].
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- ²⁵ Attendance Allowance; Disability Living Allowance; Personal Independence Payment.
- ²⁶ Defined as a household with a net equivalised after-tax household income below 60% of median income, after housing costs.
- ²⁷ Proxy criteria include: Home is in LSOA 1-3 area, a householder receives a Council Tax rebate – (rebates based on low income only, excludes single person rebates), a householder is vulnerable to living in a cold home as identified in the NICE Guidance (only one from the list can be used), a householder is referred under a Local Authority run scheme which aims to support low income and vulnerable households, a householder receives free school meals, household identified as struggling with sustained debt on utility bills and/or mortgage payments. See: BEIS, 2021. Energy Company Obligation ECO4: 2022 – 2026. Department for Business, Energy, and Industrial Strategy. [Online]. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1010366/eco4-consultation.pdf. [Accessed 31/10/22]. Pg34. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1010366/eco4-consultation.pdf
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- ³⁰ Online survey conducted by Opinium on behalf of Age UK between 2nd and 6th September 2022. Sample of 1,200 adults aged 60+ living in Great Britain. Weighted to be nationally representative of this group.
- ³¹ Online survey conducted by Opinium on behalf of Age UK between 2nd and 9th January 2023. Sample of 1,000 adults aged 60+ living in Great Britain. Weighted to be nationally representative of this group.
- ³² EAC, 2023. National 'war effort' mobilisation needed to improve energy efficiency, install solar panels on new developments and set clear date to end oil and gas licensing. Environmental Audit Committee. [Online]. Available at: <https://committees.parliament.uk/committee/62/environmental-audit-committee/news/175274/national-war-effort-mobilisation-needed-to-improve-energy-efficiency/>. [Accessed 11/01/23].
- ³³ This refers to October 2022 and therefore accounts for the impact of the Energy Price Guarantee on consumer energy bills.
- ³⁴ Age UK analysis of Fuel Poverty Dataset 2019; Department for Business, Energy, and Industrial Strategy; Ofgem. This analysis accounts for the impact of the Energy Price Guarantee and the Warm Home Discount. The median value was used as extreme values were impacting the mean. Household sample sizes: A/B/C (5,684), D (5,058), E (906), F/G (326).
- ³⁵ Ibid.
- ³⁶ We define households experiencing fuel stress as households spending more than 10% of their after-tax income on energy costs, so as to maintain an adequate standard of warmth. This definition was used to calculate the fuel poverty statistics in England from 2001 to 2011, and continues to be the definition used in Wales, Scotland, and Northern Ireland to calculate their respective fuel poverty statistics.

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- ⁴⁶ Age UK analysis of the English Housing Survey; 2019/20.
- ⁴⁷ Online survey conducted by Opinium on behalf of Age UK between 2nd and 9th January 2023. Sample of 1,000 adults aged 60+ living in Great Britain. Weighted to be nationally representative of this group.
- ⁴⁸ The Home Upgrade Grant (HUG) is designed to support lower-income owner-occupied or privately rented off-gas grid homes that have an energy efficiency rating of Band D to G to improve their energy efficiency. Between 380,000 and 530,000 homes in England relying on alternative fuels to heat their homes could be eligible for support from the HUG scheme.
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- ⁵⁷ The loyalty penalty was, historically, paid by the nearly two thirds of consumers who did not switch from their default tariff. It is of less relevance to the present volatile energy market where the default tariff is often the cheapest tariff available, but the loyalty penalty is likely to return as an issue once energy prices stabilise.
- ⁵⁸ The poverty premium is inflicted on people on lower incomes when they pay for essential services. See: Fair by Design, 2022. What is the Poverty Premium?. Fair by Design. [Online]. Available at: <https://fairbydesign.com/povertypremium/>. [Accessed 01/01/22].
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