

# Consultation Response

## Additional Questions: Technical proposals for the Energy Bills Support Scheme

Department for Business, Energy, and Industrial Strategy.

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Contact: [david.southgate@ageuk.org.uk](mailto:david.southgate@ageuk.org.uk)

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Age UK  
7th Floor, One America Square  
17 Crosswall  
London  
EC3N 2LB  
T 0800 169 87 87 F 020 3033 1000  
E [policy@ageuk.org.uk](mailto:policy@ageuk.org.uk)  
[www.ageuk.org.uk](http://www.ageuk.org.uk)

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## About this consultation

In February 2022 the Government announced the Energy Bills Support Scheme (EBSS). The EBSS consisted of a £200 reduction in electricity bills for all domestic customers in Britain<sup>1</sup> to be delivered through suppliers from October. The reduction was due to be recovered through electricity bills over the following five years but after announcements in May from the Chancellor, Rishi Sunak, the Scheme underwent three major reforms. These consisted of a doubling of the rebate to £400, the removal of the repayment levy and the announcement that the support will be provided over a 6-month period from October. Considering these reforms, the Department for Business, Energy & Industrial Strategy (BEIS) have requested input on several additional consultation questions. The below response provides Age UK's updated analysis in light of the reforms and is supplementary to our response to the original consultation<sup>2</sup>.

## Key points and recommendations

- We welcome the Government's reforms to the EBSS and BEIS's commitment to further improve the Scheme.
- Legacy prepayment meter (PPM) customers, park home residents, and off-gas grid households still face significant barriers to accessing the £400 rebate.
- Significant work is needed to ensure legacy PPM users receive the £400 – we encourage the use of alternatives to supplement the proposed PPM vouchers.
- BEIS should implement a blanket reduction in unit (kWh) energy costs for PPM users, standing charge reductions or adjustments to the PPM price cap to align with the direct debit cap to ensure the £400 rebate is passed onto prepay customers.
- Park Home residents must be included in the EBSS – BEIS should consider using the Park Homes Warm Home Discount industry initiative or existing Council Tax pathways to deliver the £400 to residents.
- Efficient distribution of funds is critical, with payments staggered to provide additional support during the colder months.
- If the Government allow suppliers to distribute funds as late as April 2023 it is crucial providers do not use this as an excuse to delay distribution until early spring.

## 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 warmly welcomes the Government's three reforms to the original Energy Bills Support Scheme (EBSS), and the wider consumer support announced in May. We responded to the original proposal for the EBSS earlier this year<sup>3</sup>. We outlined our view on how best to deliver the Scheme for older consumers, particularly those facing barriers to access. We are particularly concerned about three specific groups; prepayment meter (PPM) users, park home residents and off grid households.

Legacy PPM customers are some of the most vulnerable in the energy market. Based on our previous approximation of how many older people use a legacy prepayment meter, combined with Ofgem reports on the Government Electricity Rebate (GER) scheme, we estimate at least 150,000 older households on a legacy PPM will miss out on the EBSS – although the true figure is likely to be much higher<sup>4</sup>. Significant work is needed to ensure legacy prepay customers receive their £400.

Park home residents are more likely to be aged 60 or older<sup>5</sup>. The 85,000 park home households across England<sup>6</sup> remain unable to access a range of Government support. Because the electricity supply for park homes is often underpinned by a commercial supply contract residents are unlikely to receive EBSS support. It is essential BEIS plug this gap in provision before October and provide the £400 rebate to all park home residents. This could be done through current distribution mechanisms, such as the Park Homes Warm Home Discount industry initiative or a Council Tax rebate.

Off grid households consist of those who are either off the electricity grid or those off the gas grid. While the precise number of households lacking an electricity connection is unknown, Age UK is aware of some who remain disconnected. BEIS must ensure support for these homes and assess how many may be missing out. There are around 3.3 million English households lacking a gas network connection, with fuel poor homes off the gas grid enduring a much higher and deeper level of fuel poverty than those with a gas connection<sup>7</sup>. Age UK has received reports from households reliant on solid and liquid fuels for their heating (e.g. smokeless fuel, oil and bottled gas) that they will get limited immediate benefit from the EBSS because their electric usage is minimal. We strongly encourage BEIS to extend the EBSS to include liquid and solid fuels for those living off grid.

Since our original EBSS response predictions for the price of energy this autumn have worsened, reinforcing the need to maximise access to the EBSS for hard-to-reach households. The latest industry assessments suggest the October price cap will represent a significant increase in consumer costs, taking the typical customer's annual bill to £2,880<sup>8</sup>. Subject to Ofgem's quarterly cap reforms coming into effect<sup>9</sup> a further rise is expected from January, taking bills to over £2,900 on New Year's Day 2023<sup>10</sup>.

With this in mind, we welcome BEIS's commitment to improving the EBSS. Below we outline our responses to BEIS's additional questions on how best to deliver the Scheme in light of the Government's three new reforms.

## Consultation questions

**1. To provide support over the winter months of 2022/23, the Chancellor in the changes announced on 26th May, specified that suppliers must provide the £400 support in the six months from October 2022. This applies to all customers, however they pay for their energy. Do you agree with the approach to ensuring support is provided over the winter months? Please provide any reasoning to support your response.**

Our previous response reinforced that wherever possible the rebate payment should be delivered gradually, focusing support during colder periods. The emphasis should be on efficient distribution of funds, with payments staggered to provide additional help during the coldest months (see our response to question 3 for a proposed distribution timeline).

It is crucial that if BEIS allow energy providers to distribute funds as late as April 2023 that suppliers do not use this as an excuse to delay distribution until early spring. This could result in many older consumers missing out on critical support during colder periods over the winter.

Our recent research into the impact of price rises demonstrated that many of the lowest income older households report routinely turning down or turning off their heating in response to rising bills<sup>11</sup>. Age UK is acutely aware of the dangers that self-rationing and self-disconnection pose to older people during the winter, as they are more likely to live with health conditions which require additional heating<sup>12</sup>. Suppliers should aim to provide the bulk of support during the winter, not early spring.

**2. As set out in the consultation, the government recognises that some groups will be ineligible for EBSS and others will be eligible but difficult for suppliers to reach. Does the change from £200 to £400 affect which consumers may be difficult to reach?**

Age UK is concerned about certain consumer groups who will be missing out on the Scheme. Beyond the three groups outlined in the introduction we are also worried about the impact on certain housing-with-care, housing-with-support and care home residents who are paying for their energy via a service charge or direct to their landlord. BEIS should investigate this and any potential wider consumer groups missing out.

Households in Northern Ireland are also excluded from the EBSS. Northern Ireland lacks protection from Ofgem's energy price cap and consumer support from the Warm Home Discount, leaving it exposed to energy price volatility. Households in Northern Ireland should be provided with suitable alternative provision to the EBSS by October 3<sup>rd</sup> to ensure comparable adequate support is delivered this winter.

Doubling the EBSS payment to £400 should not result in any additional groups being excluded. But this increase may mean some consumers face more hurdles to accessing the Scheme (e.g. PPM users having to redeem additional vouchers or special action messages, referred to as SAMs, due to the £49 top up cap).

**3. The consultation proposed delivering the grant to traditional prepayment meter customers through five vouchers of £40 each. Now the grant is £400, how many vouchers would it be appropriate for suppliers to send and should these be provided in one go or staggered through the winter? If staggered, how many tranches would be appropriate and why?**

We have already voiced our concerns with using vouchers to provide the rebate to legacy PPM users. We encourage BEIS to consider alternative options to supplement the vouchers. This could include a blanket reduction in unit (kWh) energy costs for PPM users or standing charge reductions. BEIS could also consider working with Ofgem to reduce the PPM price cap to align it with the direct debit cap.

While we are concerned with proposals to use vouchers and SAMs as the distribution mechanism, we agree with BEIS's approach to staggering delivery. We encourage a method which ensures maximum support is provided during the coldest periods of the winter.

The Met Office reports that the coldest period is experienced from December to March. Vouchers should be concentrated across these months. Suppliers should provide an initial £40 voucher by mid-October with a second delivered by mid-November. Two vouchers should then be provided in each of December, January, February and March beginning on the 1<sup>st</sup> of the month, with the second voucher landing at the mid-point of the month.

To facilitate maximal access BEIS should also maximise the voucher validity period well into 2024. If consumers are made aware of the extended validity period it will also ensure they do not feel compelled to redeem their vouchers immediately after receipt, reducing

the risk of vulnerable consumers feeling pressurised to make multiple trips to physically redeem their vouchers soon after receiving them.

**4. The policy has changed from a rebate with levy to an outright grant, and the amount of grant has been doubled to £400 to help consumers over the winter period. The consultation took a neutral position on whether the original £200 should be used against arrears or part used against a payment plan for customers with an agreed plan. Does the change from £200 to £400 affect whether the grant should be used towards arrears or payment plans?**

We wish to reiterate our previous reaction to these proposals (see answer to question 17 of our EBSS consultation response<sup>13</sup>). The core purpose of the EBSS is to support struggling households with their energy bills, encouraging them to use their heating during colder periods. We are concerned that if the £400 rebate is automatically applied to arrears or debt then vulnerable households will not feel the full benefit of the Scheme.

We again encourage BEIS to apply a flexible approach, allowing consumers to decide if they use the funding to pay off debt or to support their immediate energy needs. Age UK recognises that this would add complexity to the Scheme. Depending on how it is implemented it may also inhibit automatic receipt of EBSS support.

To avoid this, BEIS should set a default position that the rebate would be ringfenced for future energy costs instead of previous debt or arrears. Suppliers could then be mandated to issue an opt-in prompt for those who actively want £400 off their debt or arrears. Consumers in debt could be prompted before the proposed qualifying date on October 3<sup>rd</sup>, alongside any supplier information provided about the Scheme. If they do not opt-in before the qualifying date then the £400 would follow the default position and remain ringfenced for future energy costs instead of previous debts.

We reiterate our strong support for BEIS's proposal to prevent suppliers using the EBSS to pay off bad debt. It is essential suppliers do not use the Scheme to recoup debts which otherwise would have been written off. BEIS should ensure this is a mandatory condition of the Scheme.

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- <sup>1</sup> Britain includes England, Scotland and Wales. The Government has committed to put alternative arrangements in place for Northern Ireland through the Barnett Formula.
- <sup>2</sup> Age UK, 2022. Consultation response: Technical proposals for the Energy Bills Support Scheme. Age UK. [Online]. <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/consultation-responses-and-submissions/safe-at-home/consultation-response---technical-proposals-for-the-energy-bills-support-scheme-department-for-business-energy--industrial-strategy.pdf>. [Accessed 16/06/22].
- <sup>3</sup> Age UK, 2022. Consultation response: Technical proposals for the Energy Bills Support Scheme. Age UK. [Online]. <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/consultation-responses-and-submissions/safe-at-home/consultation-response---technical-proposals-for-the-energy-bills-support-scheme-department-for-business-energy--industrial-strategy.pdf>. [Accessed 16/06/22].
- <sup>4</sup> Age UK approximation based on our previous consultation response which estimated at least 500,000 older households were using a legacy PPM and that during the GER scheme as much as 30% of legacy PPM users missed out on their vouchers. In practice our experience suggests older consumers are more likely to use a legacy PPM and less likely to access energy voucher schemes, so these approximations may underestimate the scale of the issue. For further details see: Age UK, 2022. Consultation response: Technical proposals for the Energy Bills Support Scheme. Age UK. [Online]. <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/consultation-responses-and-submissions/safe-at-home/consultation-response---technical-proposals-for-the-energy-bills-support-scheme-department-for-business-energy--industrial-strategy.pdf>. [Accessed 16/06/22]. Pgs8-9.
- <sup>5</sup> HCL, 2019. Research Briefing: Mobile Park Homes. House of Commons Library. [Online]. Available at: <https://commonslibrary.parliament.uk/research-briefings/sn01080/>. [Accessed 22/04/22].
- <sup>6</sup> HCL, 2019. Research Briefing: Mobile Park Homes. House of Commons Library. [Online]. Available at: <https://commonslibrary.parliament.uk/research-briefings/sn01080/>. [Accessed 22/04/22].
- <sup>7</sup> 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 10.
- <sup>8</sup> Cornwall Insight, 2022. Price Cap predictions soar as EU sanctions on Russia cause volatility in the wholesale market. Cornwall Insight. [Online]. Available at: <https://www.cornwall-insight.com/press/price-cap-predictions-soar-as-eu-sanctions-on-russia-cause-volatility-in-the-wholesale-market/>. [Accessed 13/06/22].
- <sup>9</sup> Ofgem, 2022. Price cap - Statutory consultation on changes to the wholesale methodology. Ofgem. [Online]. Accessed: <https://www.ofgem.gov.uk/publications/price-cap-statutory-consultation-changes-wholesale-methodology>. [Accessed 28/05/22].
- <sup>10</sup> Cornwall Insight, 2022. Price Cap predictions soar as EU sanctions on Russia cause volatility in the wholesale market. Cornwall Insight. [Online]. Available at: <https://www.cornwall-insight.com/press/price-cap-predictions-soar-as-eu-sanctions-on-russia-cause-volatility-in-the-wholesale-market/>. [Accessed 13/06/22].
- <sup>11</sup> Age UK, 2022. It Doesn't Add Up: the hard times facing millions of pensioners. Age UK. [Online]. Available at: <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/it-doesnt-add-up/it-doesnt-add-up---campaign-report.pdf>. [Accessed 28/05/22]. Pg17.
- <sup>12</sup> BEIS, 2021. Annual Fuel Poverty Statistics in England, 2021 (2019 data). Department for Business, Energy, and Industrial Strategy. [Online]. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/966509/Annual\\_Fuel\\_Poverty\\_Statistics\\_LILEE\\_Report\\_2021\\_\\_2019\\_data\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966509/Annual_Fuel_Poverty_Statistics_LILEE_Report_2021__2019_data_.pdf). [Accessed 05/08/21].
- <sup>13</sup> Age UK, 2022. Consultation response: Technical proposals for the Energy Bills Support Scheme. Age UK. [Online]. <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/consultation-responses-and-submissions/safe-at-home/consultation-response---technical-proposals-for-the-energy-bills-support-scheme-department-for-business-energy--industrial-strategy.pdf>. [Accessed 16/06/22]. Pg11.