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Warm Home Discount - better targeted support from 2022

CAP's official response to BEIS' consultation

August 2021

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Executive summary

Christians Against Poverty (CAP) welcomes the opportunity to contribute to the Department for Business, Energy and Industrial Strategy's (BEIS) much needed Warm Home Discount (WHD) reform. The Government's goal to improve the targeting of the scheme to support more low income and vulnerable households is both agreeable and ambitious. Removing barriers and ensuring administrative simplicity is clearly a step in the right direction, and CAP hopes that this is a goal that is achievable with the proposed reforms.

Given the scale of changes proposed, there are a large number of areas that CAP would like to address. In some parts of the consultation there are particular points of concern that need to be clarified or addressed.

- Data matching is definitely a step in the right direction, and will produce accurate capturing of a large group of customers without the need for them to apply by themselves.
- Conversely, the proposed sweep-up measures are very concerning due to the fact that the groups most likely to require access to this process are those who are more likely to be in vulnerable circumstances or those who have previously faced barriers to engagement.
- The increase in rebate to £150 does not appear to be based on any evidence or measuring criteria. Additionally, it still fails to account for or align with household circumstances.
- Those that are eligible for benefits but not receiving them – especially on the qualifying date – will be at considerable risk of missing out.
- The new metric for identifying those in fuel poverty is potentially likely to cause more confusion and difficulty for customers and third parties; proving that a household is 'fuel poor' is likely to become both costly and time consuming.
- Affordability remains an unaddressed issue, particularly in terms of debt write-off for prepayment meter customers.

Do you agree with the proposal to keep the eligibility for the current Core Group (Pension Credit) unchanged, becoming Core Group 1?

CAP agrees with this proposal. The current method of data matching for this group appears to work well. It is important to note, however, that the Core Group only applies to those who are actually in receipt of Pension Guarantee Credit, and not everyone who is eligible. Uptake of eligible households claiming this form of benefit has been an issue in previous years, and there will be some households that still miss out under the revised scheme. BEIS should work with relevant parties such as DWP and suppliers to make sure that potentially eligible customers are aware of this.

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

This is a clear step in a direction CAP has proposed for a number of years. The automatic data matching of eligible households is a positive move to make sure the majority of low income households are captured. This is preferable to expecting proactive applications to be made, which could be a source of stress for some customers.

CAP would suggest BEIS considers an alternative naming convention for this group, as simply calling them Core Groups 1 and 2 may not be clear to customers. Continuing to categorise them as the Broader Group should not have particularly detrimental effects, as the general eligibility criteria has not shifted dramatically from what already exists. Changing the terminology may have the accidental side-effect of confusing those who are already used to it. Communicating these changes and helping customers understand how they fit into the eligibility criteria is going to be a significant challenge for the industry and is something BEIS should issue further guidance on.

Do you agree with the current methodology to determine the Core Group 2 and the proposed eligibility criteria, which we estimate will increase the number of fuel poor households receiving the rebate from 47% under the Broader Group to 59% under the Core Group 2?

The methodology used to determine Core Group 2 represents a reasonable foundation to begin reforming the WHD process. However, CAP feels that there are a number of issues in the way it has been drafted. While BEIS has outlined the expectation that more fuel poor households will become eligible for help, this is based on changing the metric of how fuel poverty is measured among recipients. This new metric, Low Income Low Energy Efficiency (LILEE) is considered to be in some ways more in line with Government goals, particularly in reducing carbon emissions and promoting energy efficiency over affordability. LILEE only represents two of the key drivers for fuel poverty; the other being the question of how much energy actually costs in real terms. This new metric only appears to capture the 'expected' energy efficiency of a building rather than the habits and requirements of the family living there. Relying purely on property characteristic data will not give

the best picture of a household's needs and there is significant risk of excluding those in most need of the intended support.

Using means-tested benefits as a gateway to the rebate will simplify the Warm Home Discount compared to its more variable current supplier-set criteria. However, many suppliers currently include households not on benefits but with an income below the poverty line. This is an area where customers on inconsistent or particularly low-paid work will suffer. The average CAP client income after housing costs is £12,845, and while many of these households are purely on means-tested benefits (49%), there are significant numbers that are not. With energy prices due to increase in coming months, BEIS needs to give greater attention to this group that already has limited recourse to assistance.

CAP would also like to understand the rebate payment plans further. The proposed reform suggests that data matching will take place between July and October of the scheme year. It has not stated when the rebates will be paid out to customers. Typically this has fallen in March of the following calendar year, at the latter end of the scheme year. On numerous occasions CAP has flagged the desperate need many households – particularly those on prepayment meters – face in heating their homes during colder months. Having those rebates paid out to them before the colder months would make far more sense than waiting until after. CAP would like BEIS to commit to ensuring these rebates are paid out very soon after the data matching process is complete so that eligible customers in severe need are given the support as soon as possible. Leaving the rebate payments until the end of the winter period, as with previous years, means greater hardship for prepayment customers in particular, as they potentially self-disconnect or ration in order to survive. It would seem logical that by the nature of them being prepayment, they should receive the support before they need to use it.

Do you agree with our approach that the Government should work with energy suppliers and third party organizations to ensure that there is dedicated support for households with a disability at risk of fuel poverty as part of Industry Initiatives? Please give views on the design and administration of such an Initiative, including the amount of overall funding available to households, and eligibility.

CAP has always held the view that government, suppliers and third party organisations will benefit from close collaboration. Support for customers will benefit from this. However, in the case of the proposed reforms, CAP believes that there are a number of issues of concern. Primarily, it is felt that it would be unfair to segment out a group of customers based purely on the 'disability' label. This not only holds significant connotations for people within that group (who may not always feel as though their disability is recognised) but also it lends unfair credence to the false notion that medically diagnosed issues are the only ones that matter.

Furthermore, there needs to be more consideration given to the fact that, as an industry initiative, this group will not be automatically enrolled in the additional

support that is on offer. Understanding that this group will already be part of Core Group 2 is one part of this; many will receive the primary rebate and assume they are not eligible for more. CAP suggests that as the DWP holds data for the disability benefits, they also provide suppliers with details of households within Core Group 2 that are also in receipt of disability benefits. This then allows suppliers to make more proactive contact with these vulnerable customers.

Of greater concern will be those households mentioned above, on low income that is not means-tested, but who are in receipt of these disability benefits. This is a demographic that is not only far more vulnerable than the average customer, but also at much greater risk of being left behind within these reforms. Many of these groups will struggle with accessibility to services, and insisting that this group needs to take the initiative to apply for Warm Home Discount could place them at a disadvantage. The consultation document only references a helpline for assistance at this stage, and much greater thought needs to be given to enabling multi-channel access for customers to access these initiatives. While a third-party-run initiative is described in the document, more information is needed on how this would operate; it is not currently clear if this would be one organisation chosen by BEIS, or various options selected by suppliers.

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 the Core Group 2 and provide rebates automatically on bills?

The majority of concerns around the data matching process are covered above. The additional question in this area would be around how this rebate will recognise the differences between customers in properties that are owner-occupied and those that are being rented. Research suggests those in rental accommodation are more likely to be those in, or at risk of, fuel poverty, and in many cases these customers could be paying for their energy as part of their rental charges directly to their landlord. It is not clear from the proposals how these groups would be captured and supported. In a significant number of cases it is entirely feasible that they would be eligible under the proposed criteria. However, as they are unlikely to be paying an energy supplier directly it is not apparent how they would receive the rebate or if this means they would not be eligible.

Do you agree with the 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?

CAP does not hold a strong opinion on the imputation methodology, and delivering automatic support to a greater number of people is a good outcome. Given that the Government only estimates that 2% of households will not be able to be matched, it seems an effective solution. However, this is not without potential pitfalls for customers, and as discussed in a later question, the sweep-up process is not ideal for customers in vulnerable circumstances.

It is noted that suppliers are expected to hold adequate information on the customer's property and general behaviour to capture the low income and high energy cost group through the data matching process. From CAP's experience this could be inconsistent, especially given both the reticence of many customers to disclose personal difficulties, either financial or personal. Previous focus groups conducted by CAP revealed numerous misconceptions and lack of understanding among energy customers regarding the help that was available to them, so they often won't know how or why they should be responding to information requests. CAP suggests that BEIS considers how best to ensure suppliers hold the right amount of information and are able to connect this with the proposed process. Without accurate information this area of data matching could fail.

Do you agree with the proposed switch to setting a qualifying date?

CAP has concerns about a single qualifying date for the proposed reform. With the data matching period set to take place between July and October, there is an outstanding question over the matching of customers who move on to eligible benefits over the winter period. If, for example, a customer were to lose their job and move onto Universal Credit in late November, they would not be captured in data matching. These customers would therefore fall into eligibility during the coldest part of the scheme year but have essentially missed out on the automatic rebate. Presumably these customers would be expected to apply under the sweep-up process outlined in the reforms, although this places them at a further disadvantage as they are far less likely to have received any communication about the Warm Home Discount.

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

There are a considerable number of issues CAP would like to address within the proposed sweep-up process. Primarily, it is suggested that the customer must proactively seek out the rebate and take a number of steps to do so. As an organisation that works with some of the most vulnerable customer groups, CAP feels that it would be extremely challenging for a great many of our clients to engage with this process. The proposals draw reference to a WHD helpline, yet do not specify how this is managed, nor what its remit extends to. BEIS needs to publish more information on this to help stakeholders understand what gaps would need to be filled and what to expect from that helpline.

BEIS has stated that the Government will write to customers whom it believes are eligible for a rebate. CAP is concerned that a single piece of written correspondence is not sufficient to promote the Warm Home Discount, and that this contact would need to include a lot of information while also encouraging further contact. As disengagement is a significant problem in the energy sector, it is highly unlikely that this will be the most effective method of re-engaging those customers. CAP would like more to be done to advertise this, and believes that suppliers should also be encouraged to use the data that they have available to proactively engage customers through other methods of contact.

Expecting any household, especially those in rented accommodation, to hold a current EPC certificate is presumptive. Even customers without any extenuating circumstances are less likely to know their home's energy efficiency rating and have this paperwork easily at hand, therefore it would be deemed extremely challenging for more vulnerable customers (those who are typically on means-tested benefits) to have easy access to this information and potentially costly as addressed below. CAP suggests that BEIS works to make this information both more readily available and easier to obtain, or rely on another method of evidencing eligibility.

Do you agree with the proposed permitted alternative data sources for proving eligibility for the rebate?

BEIS has acknowledged that an EPC certificate can cost on average £60 per household. It is highly concerning that those who are in a situation where they are in, or at risk of, fuel poverty be expected to pay a fee to obtain this proof of eligibility – especially when that may not even guarantee them access to the rebate. CAP strongly opposes the concept of having to pay a fee to access any kind of desperately needed support. While industry initiatives may step in to give this help, it is obvious that not every customer will be aware of the financial support available. More consideration needs to be given to alternative data sources; if this information is already held elsewhere then further data matching could be a solution. However, for a number of older properties this may not be possible.

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?

CAP is deeply concerned that BEIS has failed to give adequate reasoning for the minimal adjustment in the amount of the rebate. It has been stated that domestic energy bills have been 'stable', yet with the winter update to the price cap increasing by an average of £150, many will view the new rebate amount as insufficient. With the aftermath of the COVID-19 pandemic, there is a clear need for BEIS to consider the actual impact of a Warm Home Discount rebate.

The proposed increase to £150 is not based on any real data that CAP can determine, and more needs to be done to ascertain how the amount of rebate should support a household's winter fuel requirements. In real terms, the proposed amount would make a far greater difference to a single person living alone compared to a family of four, yet their needs during winter are likely to be dramatically different and the rebate should be designed to reflect this. Warm Home Discount should exist, as BEIS has stated, to support those on low incomes or in vulnerable circumstances. With this in mind, the success of that goal can only be determined by understanding if the outcomes are effective. Without clarity on the real-world impact on customers, the desired outcome cannot be adequately evidenced.

CAP acknowledges BEIS' intention for a call for evidence on energy customer funding, fairness and affordability. However, this must include additional thinking on how the current support options can be more tailored to circumstances and outcomes rather than relying on the historically set amounts.

Do you agree that a £3m portion of the energy debt write-off cap should be reserved for customers with PPMs who are self-disconnecting or at risk?

BEIS has made it clear in its proposals that the targeting of financial assistance should be prioritised towards tackling the problem of self-disconnection for prepayment meter (PPM) customers. CAP does welcome this direction, but would reiterate that this does not solve the problem of long-term affordability among customers. Self-disconnection for PPM customers is a larger issue, including a variety of factors going beyond simply financial; disengagement with suppliers is a problem, and PPM users are far less likely to switch supplier or tariff. Warm Home Discount will not resolve these issues, and can only be seen as a short-term solution rather than a long-term one. Further consideration should be given to applying direct funding to schemes or organisations that can provide a long-term solution.

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.

Given the impact of COVID-19 on energy arrears has yet to become fully clear, it is difficult to suggest an alternative to the individual write-off cap. However, attention should be given to those in extremely unmanageable debt situations. While industry practice often leans towards the use of PPMs as a method of preventing debt accrual, this is not always effective and can even be detrimental to some customers. Limiting both the ability of the supplier and the customer to write off historic debt could be problematic in some of these cases. CAP's preference would be to take each customer's circumstances into account on an individual basis, rather than setting a broad limit on all.

About CAP

CAP is a nationally recognised charity that works across the UK in partnership with 580 local churches to restore hope for people in desperate need. Through a network of almost 300 CAP Debt Centres, CAP offers a free face-to-face debt counselling service, with advice and ongoing support provided from head office. CAP also runs the CAP Money Course, Job Clubs, and Life Skills groups to help people overcome unemployment and provide financial education, all with community and holistic support at their core. CAP's services are completely free and available to all regardless of age, gender, faith or background.

Further information

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