Reducing energy costs for low income working households

About NEA

NEA[i] work across England, Wales and Northern Ireland to ensure that everyone in the UK[ii] can afford to live in a warm, dry home. To achieve this we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives. This practical insight is crucial to the authenticity and insight within NEA's advocacy. NEA also provide the secretariat for the All-Party Parliamentary Fuel Poverty & Energy Efficiency Group to raise awareness of the problem of fuel poverty and the policies needed to eradicate it[iii].

Introduction to this paper

Across the UK, at least 9,700 frail and elderly people die each winter due to a cold home[iv]. As well as premature mortality, in later life, the impact of a cold home often compounds poor physical and mental health and exacerbate acute loneliness. These problems put needless pressure on health & social care services, costing NHS England alone an estimated £1.36 billion each year[v]. In addition to thousands of elderly people who die or struggle[vi] to afford to adequately heat and power their homes, the increasing price of energy[vii], coupled with low household incomes, also badly impacts millions more people who are in full or part-time work. The scale of this challenge is stark, 47% of all fuel poor households in England are in full or part-time work[viii] and to meet the essential cost of living, NEA estimates that some families in fuel poverty face an income shortfall of up to £9,331 per year (£778 per month) to cover basic essentials, including energy[ix]. Many other low income working age households face increasingly unmanageable situations; repaying large or growing debts which can create huge anxiety which exacerbates existing mental health problems, leading to further depression and potentially suicide[x]. Whilst NEA believes improving the energy efficiency of homes continues to be the most cost effective and sustainable way to address these issues, there is also a need to do much more to directly reduce energy costs for low income working households. Within this paper we therefore call on policy makers to take four clear actions to help make energy bills more affordable for millions of low income working households this winter:

1. The GB-wide vulnerable customer Safeguard Tariff should continue alongside the Default Tariff cap and be extended to all households eligible for the Warm Homes Discount scheme. This support should endure after the Default Cap is removed.
2. The £140 rebate under Warm Home Discount scheme must continue for existing low-income pensioner recipients and be provided automatically to more low income working families, using powers under the Digital Economy Act to ensure better targeting.
3. Ofgem should investigate the setting of and recovery of costs within Fuel Direct repayments and standing charges to ensure low income consumers that may only top up their pre-payment meters rarely, don't lose credit before they can access any energy.
4. If the Government choose to extend the current smart meter deadline, it must also work with the Competition Markets Authority (CMA) to investigate an extension to the Pre-Payment Meter price cap (regardless of how many SMETs 2 PPM meters are deployed before 2020).

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1. Preserving and extending the Safeguard Tariff

NEA welcomed Ofgem moving quickly to extend the existing Pre-Payment Meter (PPM) Safeguard Tariff to an additional 1 million low income customers. This additional protection took effect at the beginning February 2018. NEA also welcomed Ofgem's subsequent consultation[xi] which proposed to extend the Safeguard Tariff to an additional 2 million low income consumers that that are eligible, but may not receive, the Warm Home Discount. NEA also noted why this further action was desperately needed and fully consistent with Ofgem existing statutory duties[xii]. Following a letter by the BEIS Committee Chair to the Secretary of State in November 2017[xiii,] NEA welcomed the UK Government consulting[xiv] on new data-sharing powers to make it easier for more low-income consumers to be protected from "unfair energy bills" under the Safeguard Tariff. Business and Energy Secretary Greg Clark said: "the effects of energy price rises are often felt most by those on the lowest incomes. Enabling energy suppliers to establish who should be on Ofgem's safeguard tariff cap will help these vulnerable consumers. The proposed amendments to the Digital Economy Act will allow suppliers to work with government to carefully identify those whose energy bills are high and potentially putting them in financial difficulty. These people can then be placed under Ofgem's safeguard tariff cap, protecting them from high bills and unfair price rises".

Ofgem have now set out its proposals for the implementation of a Default Tariff cap. The majority of customers who don't, or can't, engage in the market will welcome their proposals, as it will partially reduce the shock of increasing prices and their bills will fall if costs drop and if suppliers become more efficient. However, the Default Cap fails to reduce prices sufficiently to meaningfully assist those households living on the lowest incomes[xv]. The policy is also only meant to last until 2020, possibly 2023, so it doesn't afford the longevity that Ofgem[xvi] and the UK Government[xvii] have said is needed for the most vulnerable customers. The Default Cap also includes provisions for the recovery of some policy costs that the existing Safeguard Tariff does not, for example those relating to smart meter delivery. This last issue is critical as, instead of extending price protection as noted above, Ofgem is now proposing to remove customers who are not on prepayment meters, but are receiving the Warm Home Discount, from the existing Safeguard Tariff. The limited rationale notes that the Safeguard Tariff was only intended as a temporary measure and at the time of switching them over, these customers may feel little impact as both caps are set at the same level but there is an evident risk that that the Default Tariff Cap will rise more quickly than the Safeguard Tariff would have done in the future. As result, despite existing provisions in the Bill allowing Ofgem to operate the Safeguard Tariff at the same time as the Default cap, perversely some vulnerable customers protected by a "Safeguard Tariff" will end up paying more than they would have done without the new cap[xviii], we estimate a minimum of £9m per annum[xix].

As well as the direct impact these increasing costs may have to these customers, this outcome would also undermine previous repeated assurances provided during the passage of the Bill[xx] that this negative outcome would (and could) be avoided. It would also contradict Ofgem's existing statutory duties to take account of the needs of particular vulnerable groups of consumers; including those households living on low incomes and undermine Ofgem[xxi] and the UK Government's[xxii] own welcome preparatory steps to preserve and extend the Safeguard Tariff as the data sharing powers within the Digital Economy Act have now been amended. In addition, NEA notes the preservation and extension of the Safeguard Tariff is warranted as those currently protected by the existing Safeguard Tariff (or those that could be, by utilising the new data sharing powers that are now available) have not yet fully realised the benefits smart metering that was supposed to prompt major benefits[xxiii]. As result, NEA highlight an urgent priority is for the GB-wide vulnerable customer Safeguard Tariff to continue alongside the Default Tariff cap and be extended to all households eligible for the Warm Homes Discount scheme. This support should endure after the Default Cap is removed.

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2. **Delivering automatic Warm Home Discount rebates for working families**

Alongside the importance of preserving and extending the Safeguard Tariff, the Government has signalled that the levy funded Warm Home Discount, which provides crucial energy bill discounts to low income and vulnerable households across the whole of GB, will continue through to 2020/21. In the Government's Warm Home Discount 2018/19 consultation, Government announced that the obligation threshold will reduce, so that more customers can access the scheme and showed their support for the effectiveness of Industry Initiatives within the WHD 2018/19 consultation.[xxiv] NEA welcomes both the threshold decrease and the support for industry initiatives, which we believe provides more vital support for debt advice and income maximisation services which can provide better value for money than fuel debt write off or even direct yearly rebates. In the same consultation, the Government also stated within its Warm Home Discount 2018/19 consultation that they will consider the potential role for new data matching powers under Part 5 of the Digital Economy Act which would enable an expansion of the provision of automatic rebates, through data matching, to working-age households. NEA strongly supports this. NEA estimates over 2 million households that are eligible to receive WHD miss out on this support each year either because they are unaware of this support or fail in their applications to receive it due to the limited annual budget [xxv]**.** As noted above, these low income working households face unimaginable gaps between their incomes and the essential cost of living are eligible for this assistance and miss out, despite paying for the cost of the policy through their energy bills.

The Government has several options of how to deliver a more positive outcome and our key recommendation for low income families with children to benefit automatically as part of the WHD Core Group. We believe that an increase in overall scheme envelope to provide automatic rebates to all eligible customers could be justified and given the savings that will be seen from the smart systems and flexibility plan[xxvi]could be thought of as redistributing part of this saving to those who need it most. Alternatively, the increase in cost could be offset by the reintroduction of the government electricity rebate[xxvii], which ran in 2014 and 2015. The analysis below assesses the options for and cost impact of extending the WHD rebate to all households eligible in the Broader Group. Unless otherwise stated, the source for figures used in this analysis is BEIS's Impact Assessment for extending the WHD to 2018-19[xxviii]. It should be noted that this cost analysis is indicative only[xxix]. We hope that these options will inform the upcoming consultation on the future of the scheme.

Impact of providing an automatic WHD rebate to all households in the Core and Broader Groups within the current spending envelope

If data-matching was extended to the Broader Group so all WHD eligible households (Core Group and Broader Group including low income working families) received an automatic rebate this would equate to an estimated 4.4[xxx] million rebates. Within the current spending envelope (£320 million) this would mean the value of the rebate for all households would decrease by £67 from £140 to £73. This equates to a c.48% reduction in the value of the rebate. If the vital support for debt advice and income maximisation services under industry Initiatives was retained (which NEA stresses is crucial as it can provide better value for money than fuel debt write off or even direct yearly rebates) this would leave £280 million available for rebates to 3.4 million households. Under this scenario the value of the rebate for all households would need to decrease by £76 from £140 to £64. This equates to a c.55% reduction in the value of the rebate.

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Table 1: Value and number of WHD rebate(s) within the current spending envelope if rebate is paid to all households in the Core and Broader Groups within the current spending envelope

	WHD 2018/19: Automatic rebate for Core Group only and 'first come first served' rebate for Broader Group	WHD 2019/20 Option 1a: Automatic rebate for Core and Broader Groups	WHD 2019/20 Option 1b: Automatic rebate for Core and Broader Groups and retain current £40m Industry Initiatives cap
Total number of WHD eligible households	4.4m	4.4m	4.4m
Spending envelope available for rebates	£280m	£320m	£280m
Spending envelope available for Industry Initiatives	£40m	None	£40m
Total spending envelope	£320m	£320m	£320m
Total number of rebates[xxxi]	2.2m (est.)	4.4m	4.4m
Number of eligible households who do not receive the WHD	2.2m	None	None
Value of rebate	£140	£73	£64
£ change from current rebate value	No change	-£67	-£76
% change from current rebate value	No change	-48%	-55%

Impact of NEA preferred policy option: Provide an automatic WHD rebate to all households in the Core and Broader Groups at the current rebate value of £140 and retain Industry Initiatives

If all 4.4 million eligible Core Group and Broader Group households received an automatic WHD rebate valued at the current amount of £140 this would increase the spending envelope by £336 million from £320 million to £656 million, if spending for industry initiatives is maintained (NEA's preferred policy option).

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Table 2: WHD spending envelope retaining current value of rebate and Industry Initiatives

	WHD 2018/19: Automatic rebate for Core Group only and 'first come first served' rebate for Broader Group	WHD 2019/20 Option 2b: Automatic rebate for Core and Broader Groups and retain £40m Industry Initiatives cap
Total number of WHD eligible households	4.4m	4.4m
Total number of automatic rebates	1.1m (est.)	4.4m
Total number of 'first come first served' rebates	1.1m (est.)	None
Total number of rebates	2.2m (est.)	4.4m
Value of rebate	£140	£140
Spending envelope available for rebates	£280m	£616m
Spending envelope available for Industry Initiatives	£40m	£40m
Total spending envelope	£320m	£656m
£ change from current envelope	No change	+£336m
% change from current envelope	No change	+105%

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Impact on bills

Assuming a unique Meter Point Administration Number (MPAN) equates to a single customer there are 28,100,000 domestic electricity customers in Great Britain and 23,200,000 domestic gas customers in Great Britain. This equates to 50,595,000 domestic energy customers in total. In their Supply Market Indicator Methodology Ofgem explain how they derive the WHD cost per customer. Specifically: 'To calculate the cost of WHD as a proportion of the customer bill, we divide the total cost of the scheme by the number of gas and electricity customers of the large energy suppliers' (p. 17)[xxxii]. Assuming a market share for larger suppliers of 97% – then the **additional** cost of delivering an expanded WHD scheme to provide an automatic £140 rebate to all Core and Broader Group households whilst retaining Industry would be approximately **£13.50 or a 1.2% increase** on average dual fuel bill or less than 16% increase in overall environmental and social obligation costs[xxxiii]. It should also be noted that this intervention would sit outside of the Levy Control Framework (LCF) but for illustrative purposes the total cost of the reformed WHDS would represent 10% of the total current LCF budget[xxxiv].

Table 3: Impact on bills of expanding WHD envelope

	WHD 2018/19: £320m spending envelope spread across larger suppliers only	NEA preferred policy option
Total cost of WHD scheme	£320m	£656
Total number of gas and electricity customers (GB)	50.6m (est.)	50.6m (est.)
Cost spread across customer base	Currently Obligated Suppliers (>150k accounts)	Currently Obligated Suppliers (>150k accounts)
Cost of delivering WHD per customer	£6.43	£13.18
Cost of delivering WHD per dual fuel customer[xxxv]	£12.86	£26.37
£ change on average dual fuel bill of £1292	No change	£13.50
% change on average dual fuel bill of £1292	No change	1.2%

Paying for the expanded Policy

As noted above, NEA believes the impacts of additional costs on bills would be offset in the longer-term by the benefits of smart systems and flexibility plan. The net increase of £13.50 or 1.2% on an average dual fuel bill could be justified on the basis that the smart systems and flexibility play will be delivering estimated savings far and beyond the costs which we present here. On top of this, the Helm Review called on there to be a response to the regressive impact of existing Government policy on bills, which leads to the conclusion that these extra costs could be justified, given that they would essentially reallocate levy costs away from the poorest households. Alternatively, BEIS could use a mechanism such as the Government Electricity Rebate to reduce the impact on non WHD discount customers of providing further WHD rebates and retaining Industry Initiatives and retarget existing tax-funded support via the Winter Fuel Payment or Cold Weather Payment to make this needed intervention also cost neutral for the taxpayer or HM Treasury (see options in Annex 2).

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3. To reduce the risk of self-disconnection review the setting of and recovery of costs within standing charges

Research from Citizens Advice earlier this year revealed 140,000 households (around 400,000 people) in Great Britain have gone without gas or electricity due to not having enough money to top up their prepayment meter (PPM) in the last year. Of the 140,000 households that self-disconnected, 50 per cent had someone with a mental health condition, 33 per cent included a young child and 87 per cent were in receipt of benefits. This was also a trend that Ofgem highlighted earlier this year in their Vulnerability report[xxxvi]. As well as the price of energy, NEA believes that one of the key reasons households regularly self-disconnect is that pre-payment meters lose credit due to standing charges or Fuel Direct repayments before they can access any energy. In the short to medium term, Ofgem could investigate the setting of and recovery of Fuel Direct payments and network costs within standing charges. In particular, NEA would like Ofgem and the industry to focus on reforming how Fuel Direct repayments apply as soon as credit is applied to a meter. This would allow a proportion of units to be drawn before repayments are made. In addition, Distribution Use of System (DUOS) charges are recovered and the re-profiling of the level of DUOS charges. It is not right that low income consumers that may only top up their pre-payment meters rarely, loose a lot of credit due to standing charges before they can access any energy. It is also unfair that households who use very little energy and have negligible impacts on the use of the system pay the same DUOS as higher usage customers. Proportionate reforms in this area could lead to a much more progressive outcome than is currently the case.

4. Extend the Pre-Payment Meter price cap if the smart meter deadline is extended

NEA highlights the duration of the current Pre Payment Meter price cap is still closely linked to the current smart meter roll-out deadline. Whilst NEA had hoped the benefits of SMETS 2 would already mean suppliers would be coming forward with cheaper tariffs (due to the reduced cost to serve these customers), this outcome is now by no means guaranteed. Nor is it known whether the quantum of the passed through cost reductions smart could prompt will be parable with the level of bill reductions customers currently enjoy as result of the PPM cap. Therefore, if the Government choose to extend the current smart meter deadline, it must also to work with the Competition Market Authority (CMA) to investigate an extension to the Pre-Payment Meter price cap (regardless of how many SMETs 2 PPM meters are deployed before 2020). These actions will need to be taken shortly, as the CMA are due to review the PPM cap early next year.

Conclusions

Until a longer lasting solution is implemented (e.g. a centrally funded national energy efficiency programme), there is a need to enhance actions to directly reduce energy costs for low income working households. NEA supports current efforts to reduce energy bills via existing policies but we do not support the removal of the Safeguard Tariff for non-PPM customers or a removal or reduction of rebates to current recipients of the WHD. Without heeding our suggestions, NEA is concerned the value of WHD rebates currently provided to poorer pensioners (or those that have applied successfully in the past for support under the Broader Group) may be reduced by up to 55% or even stopped altogether and the introduction of the Default Tariff could mean some vulnerable customers protected by a “Safeguard Tariff” will end up paying more than they would have done without the new cap, a minimum of £9m per annum. This paper has highlighted four policy options for delivering much more positive outcomes for the most disadvantaged customers. As well as continuing to support elderly people who struggle to afford to adequately heat and power their homes, the reforms would help millions more who are in full or part-time work to cover basic essentials, including energy.

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Annex 1 – Summary of options for delivering reforms for the next stage of WHD

Option	Spending Envelope	Auto Rebates	Total Rebates	Rebate Per Customer	Marginal Cost to Customer
1. Do Nothing (i.e. Status Quo)	£320m	1.1m	2.2m	£140	£0
2. Broader Group Auto Rebate – Same Envelope	£320m	4.4m	4.4m	£64	£0
3. Broader Group Auto Rebate – Same payment	£616	4.4m	4.4m	£140	£13.50 (+1.2%)

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Annex 2- Options for paying for additional WHD rebates

Proposal	How it would work	Financial Rationale	Pros	Cons
Levy	Levy costs onto bills as usual. Cost will be more than made up by the savings made in the Smart Systems & Flexibility plan	The smart systems and flexibility plan will deliver on average over £1bn a year up to 2050. Using a levy would essentially ensure that these savings are passed through in a more progressive way.	- Redistributes savings made in the SS&F plan in a more progressive way. - Relatively admin light	- Adds more cost onto bills.
Tax – Use Winter Fuel Payment money	Fund through a levy that is offset by a "Government Electricity Rebate" (GER) general taxation, but stop the winter fuel payment	The winter fuel payment costs the government ~£2bn/year. Reducing this by 17% would more than offset the cost added cost of extending WHD auto rebates	- No net cost to the taxpayer. - More progressive use of government money.	- Reduces payments from pensioners who may need it - Reintroduction of GER may add extra admin
Tax – Use CWP Money	Fund through a levy that is offset by a "Government Electricity Rebate" (GER) general taxation, but stop the cold weather payment	In the last 8 years, cold weather payments have costed on average £100mn/year and up to £450mn in a single year. Eliminating this would free up the budget required to cover the cost of extending WHD auto rebates.	- No net cost to the taxpayer - CWP seen as difficult to administer by DWP. - BEIS could administer this proposal at little cost compared to the CWP - WHD payment comes pre-winter as opposed to CWP, so is more useful. - Directly reduces bills as opposed to income supplement (as CWP is)	- In warm years, could cost government more money is saved. - Reintroduction of GER may add extra admin (compared to the levy)

Further information and sources

[i] For more information visit: www.nea.org.uk.
[ii] NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.
[iii] For more information visit: www.nea.org.uk/fpeeg/about-fpeeg/
[iv] NEA's briefing with E3G earlier this year highlighted the UK has the sixth-worst long-term rate of excess winter mortality out of 30 European countries. Over the last five years there has been an average of 32,000 excess winter deaths in the UK every year. Of these, 9,700 die due to a cold home– the same as the number of people who die from breast or prostate cancer each year. The new analysis was released on Fuel Poverty Awareness Day the national day highlighting the problems faced by those struggling to keep warm in their homes. To read the press release and the full cop of the report visit: http://www.nea.org.uk/media/news/230218/.
[v] Age UK. 2012. The cost of cold: Why we need to protect the health of older people in winter.
[vi] In England, 345,000 fuel poor households contain someone 75 years or over, 13.5% of all households in fuel poverty..
[vii] According to recent analysis by MoneySuperMarket, the average price of the cheapest 30 energy tariffs has jumped by more than a fifth in just five months. After price hikes from all of the major suppliers, the average yearly cost of the best deals is now (Oct 2018) £1,042, having jumped £178 since May 2018.
[viii] BEIS Fuel Poverty Statistics for England, table 27, fuel poverty by employment status of household reference person (HRP), 2018. Across the UK, 22% of individuals (14 million people) are in relative poverty after housing costs (they have a household income below 60% of the median). Net disposal income after housing costs of a low income household is £248 per week (£12,933 per year), equating to 60% of the UK median of £413 per week. The income after housing costs of a fuel poor household is even lower: £10,118 per year, equating to a net disposal weekly income of £194. Investigating income deciles shows the poorest 10% of UK society have a gross average weekly household income of £130 (£6,760 per year). Fuel poor households overwhelmingly comprise the poorest fifth of society: 85% of households in fuel poverty in England are located in the first and second income deciles and 78% of English households in those two deciles are fuel poor.
[ix] In November 2017, NEA published its report "Bridging the Gap NEA research shows fuel poor households have negative balance sheets after meeting essential living costs.
[x] Christians Against Poverty (2015) The poor pay more: Prepayment meters and self-disconnection.
[xi] The consultation was released on December 2017, see: https://www.ofgem.gov.uk/publications-and-updates/providing-financial-protectionmore-vulnerable-consumers
[xii] Ofgem's duties include taking into account the needs of particular vulnerable groups of consumers; including those households living on low incomes.
[xiii] https://www.parliament.uk/documents/commons-committees/business-energy-and-industrial-strategy/Correspondence/Letter-from-the-Chair-to-the-Secretary-of-State-(BEIS)-relating-to-vulnerable-energy-customers-1-November-2017.pdf. In response the Secretary of State noted the Government's support of the safeguard tariff for vulnerable customers and said they were working actively working with Cabinet Office, the Department for Work and Pensions and Ofgem on how legislation, including the Digital Economy Act, could enable the safeguard tariff to cover more vulnerable customers. He also said legislation could be brought forward early in 2018, subject to Parliamentary timings.
[xiv] Released in February 2018, see: https://www.gov.uk/government/news/new-proposals-to-help-vulnerable-people-benefit-from-cheaper-energy.
[xv] The Default Tariff Cap is expected to save 11 million SVT customers on average £75 and up to £120 per year when it is first introduced later this year. This saving is welcome however the yearly saving is much less than a monthly shortfall noted above for some working families (£778 per month) and most analysts believe a subsequent rise in wholesale prices and policy costs would mean this saving could be negligible by the end of next year.
[xvi] Dermot Nolan, Ofgem CEO said to the BEIS Committee during the Bill's pre-legislative scrutiny "*In my view, yes…I would envisage a very possible situation in which if a full, market-wide price cap was removed, Ofgem would continue with the price cap for vulnerable consumers*"[xvi].
[xvii] Claire Perry MP, BEIS Energy Minister also stated publically to the Public Bill Committee in April that the UK Government recognised the need for the Safeguard Tariff to continue even if the SVT wide cap is in place by this winter. Further to this, the Minister also restated that the UK Government supported the positive case for the Safeguard Tariff to be expanded to those eligible for the Warm Home Discount scheme and this would be possible once the revisions to the necessary data-sharing in the Digital Economy Act schedules have been made.
[xviii] The default price cap accounts for some costs that the safeguard tariff does not, including the costs of the smart meter programme. It is therefore likely that the default cap will rise quicker that the safeguard tariff.
[xix] The analysts Jefferies estimates that the default cap will rise by £9 due to an increase in operating costs for Summer 2019 (see https://mobile.twitter.com/i/web/status/1039130554409598976). Assuming that operating costs should only increase due to extra costs associated with the smart meter programme, This equates to a £9 difference for 1 millon customers (according to Ofgem (https://www.ofgem.gov.uk/about-us/how-we-work/working-consumers/protecting-and-empowering-consumers-vulnerable-situations/consumer-vulnerability-strategy/vulnerable-customer-safeguard-tariff), meaning an overall detriment of £9m.
[xx] NEA highlighted the importance of preserving and extending the Safeguard Tariff during oral evidence provided to the BEIS Committee during pre-legislative scrutiny of the Domestic Gas and Electricity (Tariff Cap) Bill in March[xx] and subsequently, following the publication of the Bill in Parliament, oral evidence to the Public Bill Committee in April[xx]. Following a series of cross party amendments[xx] NEA were subsequently given assurances from Parliamentary Under Secretary of State Lord Henley[xx] during the final stages of the Bill that "Ofgem is proposing to keep the Safeguard Tariff in place if the new price cap is materially higher (i.e. gives less protection) than the level of the Safeguard Tariff". Following these developments, Ofgem also met with NEA, the Energy Minister and the Chair of the BEIS select Committee and gave similar reassurances.
[xxi] Ofgem recently consulted on how data-matching for an extended Safeguard Tariff may operate. NEA agreed with the introduction of a licence conditions obligating suppliers to take preparatory steps now to have arrangements in place with the Department for Work and Pensions (DWP) for when the necessary data matching exercise will commence. NEA also welcomes Ofgem addressing the current unacceptable variance in the coverage of the existing Safeguard Tariff and we express our support for ensuring suppliers over 50,000 customers are able to deliver and target this vital assistance effectively in the near future. NEA also welcomed Ofgem committing to develop and implement the necessary data privacy impact assessments in time for when the extended Safeguard Tariff is implemented, hopefully for all customers eligible for the Warm Home Discount (within both the WHD core and broader group), by no later than this December. However, the consultation failed to provide clarity these steps will be introduced.

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[xxii] https://www.parliament.uk/documents/commons-committees/business-energy-and-industrial-strategy/Correspondence/Letter-from-the-Chairto-the-Secretary-of-State-(BEIS)-relating-to-vulnerable-energy-customers-1-November-2017.pdf. In response the Secretary of State noted the Government's support of the safeguard tariff for vulnerable customers and said they were working actively working with Cabinet Office, the Department for Work and Pensions and Ofgem on how legislation, including the Digital Economy Act, could enable the safeguard

[xxiii] Whilst NEA had hoped the benefits of SMETS 2 would already mean suppliers would be coming forward with cheaper tariffs (due to the reduced cost to serve these customers), this outcome is now by no means guaranteed. Nor is it known whether the quantum of the passed through cost reductions smart could prompt will be parable with the level of bill reductions customers currently enjoy as result of the PPM or wider Safeguard cap.

xxiv https://www.gov.uk/government/consultations/warm-home-discount-scheme-2018-to-2019

[xxv] These low income working households face unimaginable gaps between their incomes and the essential cost of living are eligible for this assistance but are either unaware of this support or fail in their applications to receive it due to the limited annual budget.

xxvi The Smart Systems and flexibility plan states that up to £40bn could be saved up to 2015, equating to more than £1bn/year on average. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/633442/upgrading-our-energy-system-july-2017.pdf

xxvii https://www.ofgem.gov.uk/environmental-programmes/government-electricity-rebate-ger

xxviii https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/716463/Warm_Home_Discount_FS_IA_Signed.pdf

xxix In particular, it does not account for any potential future increase in the size of the eligible WHD cohort nor does it account for any potential future increase in the rebate amount to adjust for energy costs and inflation.

xxx This figure is estimated, based on the figure for the core group within the "Warm Home Discount Scheme 2018 to 2019" Impact assessment (1.1m customers) (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/716463/Warm_Home_Discount_FS_IA_Signed.pdf), the estimate of broader group recipients from the same document (1.1m customers), and the Ofgem estimate of the number of customers that are eligible for WHD, but do not receive it (2.2m customers) (https://www.ofgem.gov.uk/system/files/docs/2017/12/providing_financial_protection_to_more_vulnerable_consumers_0.pdf) This was verified by BEIS in their consultation on data matching (https://www.gov.uk/government/consultations/data-sharing-regulations-for-a-safeguard-energy-tariff)

xxxi For the existing scheme numbers, the BEIS impact assessment assumes that some of the industry initiative money is used for rebates. The table is consistent with this, for the existing scheme. For the proposed scheme, we assume that no industry initiative money is spent on rebates.

xxxii See: https://www.ofgem.gov.uk/sites/default/files/docs/2015/04/smi_methodology_apr2015_0.pdf.

xxxiii This is based on Ofgem's assumption in 2016 that environmental and social obligation make up to 8% typical dual fuel bill, see: https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/understand-your-gas-and-electricity-bills. However, just 8748

xxxiv CCC, 2017, Energy Prices and Bills - impacts of meeting carbon budgets, Annex Levy Control Framework costs and cost sensitivities.

xxxv This cost takes account of the £476 million spending envelope only and excludes any administration costs that may be incurred and passed on by suppliers for delivering WHD.

[xxxvi] Ofgem Vulnerability report can be accessed here: https://www.ofgem.gov.uk/publications-and-updates/vulnerable-consumers-energy-market-2018.

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