



Action for Warm Homes

National Energy Action (NEA) Budget Submission 2020

Key recommendations:

- By delivering on its manifesto pledges, the UK Government can significantly reduce fuel poverty, promote a fair transition to Net Zero and deliver benefits to health and other public services
- Home Improvement Grants in England can fill a vacuum in existing provision if they deliver whole house solutions to those in greatest need
- Warm Homes Discount (WHD) rebates and Industry Initiatives provide critical support to fuel poor households. Both elements of the WHD scheme should be extended, expanded and the rebate be provided automatically to all eligible households

About NEA and overview of our Budget Submission

NEA works across England, Wales and Northern Ireland to ensure that everyone in the UK can afford to live in a warm, healthy home. NEA also provides the secretariat for the All-Party Parliamentary Fuel Poverty & Energy Efficiency Group (FP EEG) to raise awareness of fuel poverty and stimulate cross-party debate in the UK Parliament about the need to make energy costs more affordable.

Each winter on average at least 11,400 people die due to a cold home in the UK¹. During the “Beast from the East” in the winter 2017/18, this figure exceeded 17,000 people who died across the UK because they were unable to keep warm². Needless deaths are sadly just the ‘tip of the iceberg’ and many more people are suffering with poor physical and mental health due to cold homes³. The resulting impact on health services is acute; costing the NHS between £1.4bn and £2bn every year, in England alone⁴.

Current statutory energy efficiency commitments require all fuel poor homes by 2030 in England to be levelled up to the energy efficiency standards of a current new-build home⁵. According to the Committee on Fuel Poverty (CFP), progress towards this target is however flat-lining and only 10% of all households meet the 2030 requirement and despite living below the poverty line⁶ millions are still spending an additional £320 per year on keeping warm compared to those not living in fuel poverty⁷. For people in fuel poverty who live in the least efficient homes, the impact is even greater and despite living below the poverty line, approximately 200,000 households need to spend a staggering £2000-£2800 keeping warm and well⁸. The Committee on Fuel Poverty (CFP) have warned that 160,000 of these households could still be living in the least efficient homes by the end of 2020 and the interim milestones which support the current Fuel Poverty Strategy for England will not be met. These warnings have been echoed by the BEIS Select Committee who called on the UK Government to revive domestic energy efficiency policies or it is likely to end up “in contravention of statutory fuel poverty and climate targets”⁹.

Responding to these very real and stark challenges, the Conservative party manifesto pledged to invest £9.2bn on improving energy efficiency in domestic and public buildings; including £3.8bn on a Social Housing Decarbonisation Fund and £2.5bn on a new Home Upgrade Grant scheme (HUGs) in fuel poor homes¹⁰. This was reaffirmed in the Queen’s Speech on the 19th December 2019¹¹. NEA warmly welcomes the commitment to these new programmes and within this submission **NEA calls on the UK Government to introduce the new HUG scheme in the upcoming Budget** and highlights our views on how it should operate so it can have the greatest positive impact for fuel poor households in England.

As well as improving energy efficiency, **NEA are also calling for the UK Government to commit within the Budget to an extension and expansion of the Warm Home Discount (WHD)**, a policy which already

provides the poorest pensioners with an automatic reduction of £140 off their energy bills each winter. The current scheme is due to end post 2021 despite it providing a lifeline for millions of the poorest consumers. In addition to getting urgent clarity from the UK Government; Ofgem, Parliamentarians and energy companies will also all need to work together this year to ensure that consultation, legislation and guidance is drafted in order for the scheme to continue and be expanded past its current end date of 31st March 2021. Alongside honouring existing key departmental commitments¹², we hope our two key proposals will mean millions more people across the UK should be able to keep warm and well in their home. This goal would be achieved at the same time as reducing domestic emissions, reducing stress and costs on the NHS, increasing economic growth and jobs and delivering a fair transition¹³ to a net zero carbon society.

Detailed proposal 1: Urgently introduce the UK Government’s new Home Upgrade Grant (HUG) scheme in fuel poor homes

As noted above, NEA warmly welcomed the Conservative party manifesto pledge to invest £2.5bn on a new Home Upgrade Grant scheme (HUGs) in fuel poor homes. This aim was reaffirmed in the Queen’s Speech on the 19th December 2019 and subsequent statements by Ministers¹⁴. NEA underlines our support for the new HUG scheme and the urgent need for it to be committed to in the upcoming Budget.

A summary of the likely effectiveness and value for money, macroeconomic implications (for economic stability and growth), distributional impacts and administrative and compliance costs is included in the following table.

Likely effectiveness and value for money	The Home Upgrade Grant scheme, as proposed in the Conservative party manifesto, would mean upgrading the energy efficiency of at least 200,000 homes. Upgrading energy efficiency is the most effective way of reducing fuel poverty. Last year, the BEIS Committee also noted several co-benefits, including energy savings that could mean a reduction in the need for energy generation, reduced energy bills, more jobs, economic growth, an increase in competitiveness, NHS savings and an increase in air quality ¹⁵ .
Revenue implications for the Exchequer	The £2.5bn investment on a new Home Upgrade Grant scheme (HUGs) in fuel poor homes was committed to in the manifesto ¹⁶ and according to the annual costings prepared in the manifesto and the Queen Speech the programme will begin 2020/21 and the current proposed Budget will be drawn down over 5 years up to 2025. This investment will encourage a range of national and local co-funding. Whilst the exact leverage can only be estimated once the programme is established, the 2019 BEIS select committee have said that the NHS can expect to save 43p for every £1 spent retrofitting fuel poor homes ¹⁷ and the Houses of Parliament Briefing “Future Energy Efficiency Policy” states, for every £1 spent on energy efficiency, tax take could be increased by £1.27 ¹⁸ A recent Houses of Parliament Briefing “Future Energy Efficiency Policy”, also suggested that for every £1 spent on energy efficiency, GDP could be increased by £3.20. ¹⁹
Wider macroeconomic implications (for economic stability and growth)	Reducing energy costs for the poorest households helps reduce energy arrears and stimulates spending on other essential goods and services. It can also have a positive impact on health and well-being, reducing the stress on current tax-funded services.
Sectorial and distributional impacts	As noted below, the proposals would help those households that are worst effected by fuel poverty.
Administrative and compliance costs and issues	Whilst the initial investment for 2020/21 can be channelled through local authorities (or Local Enterprise Partnership and/or Local Energy Hubs), a new scheme administrator will be needed to facilitate the fully established new scheme. The costs for this are likely to be insignificant compared to the benefits that the scheme would create. For example, the Energy Company Obligation (ECO) scheme, which is of similar order of size, has costs relating to the scheme administrator totalling approximately 0.3% of total spend. ²⁰
Legislative and operational requirements	Whilst the initial programme channelled through local authorities does not require new legislation, the fully operational grant scheme will need to be developed before the financial year 2021/22, along with the supporting regulations.
Environmental impact	The environmental impact will be similar to that seen within the ECO scheme, which has a total environmental value, derived from reduced carbon and other harmful emissions, of 46% of total spend. ²¹

NEA also highlights our views on the details of how HUG should operate so it can have the greatest positive impact for fuel poor households in England.

Helping the worst first and prioritising those most in need

The draft Fuel Poverty Strategy for England includes a guiding principle to 'help the worst first'. This should be reflected in HUG, helping the poorest households living in the least efficient homes, mainly in rural areas and other off-gas and hard to heat homes. By tackling the most challenging homes, it will reduce fuel poverty and emissions in homes which have not yet benefited from current programmes. Alongside targeting the poorest households who live in the least efficient EPC rated E, F and G homes, it is also well established that one of the key aims for ending the cost and suffering of fuel poverty must be to help halt the serious adverse effects that living in a cold home can have for low income households with particular health conditions which are badly affected by the cold²².

Free to access and guaranteed assistance if eligible

As the HUG scheme focuses on those below or near the poverty line, there must be no requirement for contributions towards the cost of energy efficiency interventions, unlike under the current supplier-led Energy Company Obligation (ECO). The need for supporting the cost of energy efficiency enabling work must also be considered. In addition, once the HUG scheme is fully operational NEA believes it is essential that households that meet the criteria are able to access support and the scheme administrator (or related contractors) must not be able to 'cherry-pick' the clients HUGs support from an eligible cohort, again as is currently the case under ECO. Without these key considerations being taken into account, it will prevent uptake in the very groups the policy is designed to help.

Designed to interact with other programmes but not reliant on them

The GB-wide ECO scheme is currently the only domestic energy efficiency scheme in England. The targets²³ for the current ECO3 period have already been set and run from October 2018 to until March 2022. Whilst there are wider opportunities in the future for the HUG programmes to support ECO post March 2022, NEA do not anticipate that direct blending of both schemes will be allowed in the short-term as the delivery costs for the ECO scheme have already been agreed with suppliers. NEA also stresses that in order for HUG to work most effectively and to deliver fuel poverty targets²⁴, future phases of ECO must continue to be rightly focused on low income and vulnerable households beyond March 2022. Mechanisms to best leverage HUG with future ECO obligations beyond this point should also be allowed and will need to be considered when the shape and level of future ECO obligation targets are set. The interplay between the two programmes will be particularly important in the context of ensuring HUG can work in tandem with the LA flexibility mechanism which provides support to fuel poor households which may not be in receipt of means tested benefits or low income households with particular health conditions which are badly affected by the cold.

Private tenure in focus and not subsidising landlord obligations

Because of the larger Social Housing Decarbonisation Fund, existing obligations in the social housing sector and the higher levels of energy efficiency, HUG resources should be focused on private tenure homes. Whilst HUG should mainly support owner occupiers, the UK Government rightly recognise that privately rented homes also cause acute risks for their residents. Minimum Energy Efficiency Standards in the PRS were introduced in the 2011 Energy Act and now require landlords to spend up to £3.5k of their own capital to ensure that their properties meet a minimum of EPC E by April this year. Although the introduction of minimum standards and cost cap are welcome, the cost cap of £3,500 is likely to only result in 48% of the least efficient properties being upgraded to by 2020, despite it being nine years since Parliament passed legislation to get rid of the least efficient rented homes. NEA therefore believes that until the level of cost cap is amended, HUG could be used to prompt private landlords to take early action to move their properties out of F/G and beyond E up to a higher EPC band once they have spent the up to

£3.5k of their own capital. This will help ensure value for money as it will encourage landlords to co-fund their investment alongside the new grant. This action must however also sit alongside the commitment to extend the PRS regulations to band C by 2030 as set out in the Clean Growth Strategy²⁵, dramatically driving up local authority enforcement²⁶ and ensuring Houses of Multiple Occupation (HMOs) are not excluded from improvements. HUG should also be supported by the Social Housing Decarbonisation Fund so that social landlords are encouraged to support private tenure fuel poor households that have exercised their 'right to buy' within larger areas of social housing but may not have any of their own capital to invest in improving the energy efficiency of their homes.

The right measures delivered to the right households

There is a very wide range of domestic energy efficiency technologies that could be deployed via HUG to ensure fuel poor households living in the least efficient homes can make as much possible progress towards the fuel poverty interim milestones and 2030 target. A particular priority is to ensure HUG supports whole house packages of measures to reach higher EPC standards and post intervention EPCs should be provided to households. This will require a grant maximum which is able to fund suitable insulation and heating measures. NEA also believes all forms of insulation should be able to be accessed under the programme and this will require greater deployment of hard-to-treat cavity insulation and SWI as it is critical to mature these technologies to meet the wider insulation challenges over the next decade and beyond.

Due to the need for HUG to be highly complementary to wider efforts to decarbonise heating, there is also a need to support low carbon forms of heating and, in the short-term, the insulation requirements of the Renewable Heat Incentive (RHI)²⁷. This is reinforced by the Clean Air Strategy, in which, the UK Government insists alternatives to oil and solid fuel use for heating will be needed. Currently, over 166,000 of the poorest households, in the deepest fuel poverty, are reliant on these forms of heating and will require access to alternatives. Whilst NEA do not anticipate that the scheme will provide significant support for first time gas central heating or crisis repairs or replacements for gas boilers, some support may be warranted²⁸ in order to avoid a continuation of the current gap in provision for low income vulnerable households who are unable to finance these measures and continue to leave them at high risk of experiencing significant detriment as a result²⁹. NEA also believes it will be possible to encourage the leveraging of low cost complementary energy or water saving measures from other actors, alongside the assistance available via HUG³⁰.

High quality installation standards and advice

Following the positive introduction of PAS 2035 and TrustMark scheme under ECO, the highest retrofit standards must be required when carrying out work under HUG so that the measures deliver the expected benefits and do not lead to unintended negative impacts for householders because of poor installation practice. Given the likely inclusion of alternative low carbon heating, these products (and installers) must also be covered by suitable accreditation schemes³¹. These standards must be matched by having periodic audits of work carried out under the programme, as well as clear channels for redress if installations fail. NEA also stress the importance of timely advice delivered, in home, at the same time as energy efficiency interventions. This has been widely acknowledged as essential by practitioners³² and the UK Government within the Bonfield Review³³. Face-to-face advice not only helps to ensure that beneficiary households can effectively use any new technology; it can also help address other energy-related problems or challenges³⁴. This finding was reinforced in a recent evaluation of NEA's own Health and Innovation Partnerships (HIP) programme³⁵. A simple household questionnaire or proforma should also be introduced which ensures this advice has been provided in a format which is assessable as well as rating other aspects of the installation process to drive up standards and performance.

Robust governance, evaluation and monitoring

Given the scale of fund being channelled at HUG, it is vital that the HUG scheme and the administrator can be assessed against agreed performance indicators, outputs and outcomes. The extent of public reporting

on scheme budgets, performance indicators, outputs and outcomes should be agreed prior to the scheme commencing and should also include independent experts on a Delivery Strategy Board. Representatives from organisations such as the National Audit Office (NAO) should also be invited to provide early input on how to assess value for public money. Publically reported impacts under the scheme should also be independently monitored periodically to determine the direct improvement the scheme is having on the lives of individuals and families in fuel poverty.

Detailed proposal 2: An extension and expansion of the Warm Home Discount (WHD)

The Warm Home Discount Scheme is currently not legislated for post 2021. NEA are therefore calling for at least three years clarity that this vital support will be maintained. By using current powers within the Digital Economy Act the Government can also ensure at least an extra 0.6 million, and possibly more than 1.5 million more households who are already eligible to receive WHD, don't miss out on this support each year (either because they are unaware of the programme or fail in their applications due to the limited annual budget). This outcome must be secured at the same time as ensuring current low income pensioner recipients continue to receive this critical support and do not see a reduction of the value of their rebates so they are less at risk from dying prematurely. It also essential that the wide range of organisations that currently deliver vital services across Great Britain via Industry Initiatives are able to maintain this work to award hardship grants, provide energy and fuel debt advice.

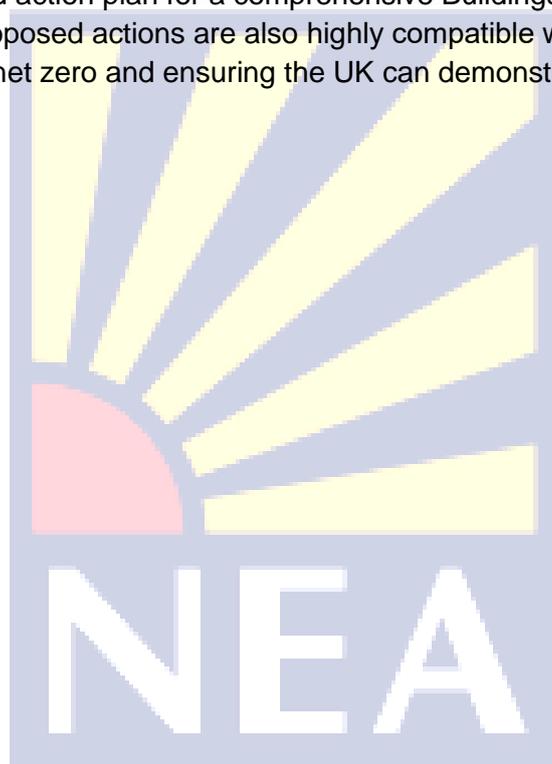
Further details of how this can be achieved are contained in the annex however a summary of the likely effectiveness and value for money, macroeconomic implications (for economic stability and growth), distributional impacts and administrative and compliance costs is included in the following table.

Likely effectiveness and value for money	The WHD is an existing programme. Our proposals would build on this success. In addition, whilst Ofgem [via E-serve] has never fully evaluated the industry initiatives component of the scheme, NEA's own delivery of the scheme has found this part of the programme often provides better value for money than switching or even direct yearly rebates ³⁶ .
Revenue implications for the Exchequer	Our proposed reforms could be achieved in a cost-neutral way. Further details are contained in annex B to this submission.
Wider macroeconomic implications (for economic stability and growth)	Reducing energy costs for the poorest households helps reduce energy arrears and stimulates spending on other essential goods and services. It can also have a positive impact on health and well-being, reducing the stress on current tax-funded services.
Sectorial and distributional impacts	The proposals would help the poorest working age households and would support the poorest fifth of society.
Administrative and compliance costs and issues	Whilst there would be a marginal increase in additional administration for DWP to undertake additional data-matching, this costs would be borne by suppliers and given the reduction in compliance costs for obligated parties, there would be no overall additional costs.
Legislative and operational requirements	The delivery of rebates to the 'core group' using data sharing powers has been considered a great success and key innovation within the UK Government as it removes the need for vulnerable households to know about the programme or come forward for support. As noted above the primary powers within the Digital Economy Act and related regulatory schedules also now enable automatic rebate to the 'Broader Group'. However, in order for the scheme to be extended and expanded, the current Warm Home Discount regulations would need to be amended and tabled by Autumn this year in order for the new and enhanced programme to start in April 2021.
Environmental impact	Whilst the proposals may imply greater energy use, in reality the intervention reduces the gap between the Government's own assumptions of current energy consumptions and actual energy use for low income households. This relationship is now becoming better understood, with those in the lowest income decile using on average £189 less than the level already currently assumed in national policy making. The greatest gap between theoretical and actual energy consumption is for couples with children and lone parents with children who would be the key beneficiaries of this reformed policy ³⁷ .

As well as getting clarity from the UK Government in the Budget, securing an extension and expansion of the Warm Home Discount (WHD) will require Ofgem, Parliamentarians and energy companies to all work together this year to ensure that consultation, legislation and guidance is drafted in order for the scheme to continue and be expanded past its current end date post 2021. Further details are provided in the annex.

Conclusion to our submission

2020 is a vital year to end the needless cost and suffering of fuel poverty and ensure the Government delivers on its welcome aim to deliver a fair transition³⁸ to a net zero carbon society. We hope our two key proposals will mean millions more people across the UK should be able to keep warm and well in their home. As well as directly improving their lives, these actions will help reduce domestic emissions, stress and costs on the NHS and deliver a fair transition to a net zero carbon society. Beyond these 'emergency measures', NEA also stresses the need to honour other key existing departmental commitments³⁹ and we support wider efforts to include domestic energy efficiency within the upcoming National Infrastructure Strategy and develop a detailed action plan for a comprehensive Buildings Energy Efficiency Infrastructure Programme⁴⁰. We hope our proposed actions are also highly compatible with the aims of the Government's review of the costs of meeting net zero and ensuring the UK can demonstrate global climate leadership later this year at COP 26.



Action for Warm Homes

Annex 1 – Details of how to expand the Warm Home Discount

As noted above, securing an extension and expansion of the Warm Home Discount (WHD) will require the UK Government, Ofgem, Parliamentarians and energy companies to all work together this year to ensure that consultation, legislation and guidance is drafted in order for the scheme to continue and be expanded past its current end date post 2021. In particular we are asking these key groups to undertake the following actions:

UK Government:

- Give clarity in the Budget, the upcoming Energy White paper and the Fuel Poverty Strategy that the WHD will be extended and expanded
- Ensure current low income pensioner recipients continue to receive critical support and do not see a reduction of the value of their WHD rebates
- Ensure the extended scheme makes the most of current data matching powers so that low income working age households do not have to apply to their supplier each year and receive the rebate automatically
- Increase support for industry Initiatives component of the scheme to provide further assistance across Great Britain for hardship grants, energy and fuel debt advice and wider vital services
- Ensure all licenced suppliers are required to provide all elements of the WHD obligation so more suppliers can offer this support and remove barriers to switching
- Draft and introduce the necessary regulations by Autumn this year
- Ensure the administrator E-serve encourage obligated suppliers effectively communicate the support available and establish more inclusive WHD 'offers' via industry initiatives
- Ensure that as well as the WHD, the current statutory energy efficiency commitments⁴¹ contained within the Fuel Poverty Strategy for England are met

Parliament

- Ensure there is sufficient Parliamentary time for the secondary legislation to be introduced
- Scrutinise the legislative proposals and ensure the aims of this paper are met
- Ensure the regulations are approved in both Houses without delay

Ofgem:

- Alongside existing price protections⁴², implement the above changes to the WHD scheme
- Ensure all licenced suppliers deliver all elements of their WHD obligation
- Evaluate the benefits of the WHD, in particular the value of 'Industry Initiatives' such as the number of beneficiaries, the cumulative impact of support provided and whether the services provided are providing value for money compared to switching supplier or direct yearly rebates
- Ensure design guidance for the WHD offer is more inclusive i.e. ensure that more customers know about it and there are more channels to apply for support available via industry initiatives

Businesses

- Implement the design of the new policy before the start of the new phase of the scheme from April 2021
- Communicate the support that is available via the Warm Home Discount and other assistance such as the Energy Company Obligation and the Priority Services Register in a consistent and accessible manner
- Work with customers to understand how the WHD is supporting their needs and adapt the delivery of the programme if it is failing to meet them

In addition, the analysis below assesses the options for and cost impact of extending the WHD rebate to all households eligible in the Broader Group and retaining industry initiatives.

One option that has previously been actively considered by the UK Government was to extend automatic rebate without increasing the scheme envelope. If data-matching was extended to the Broader Group so all WHD eligible households (Core Group and compulsory Broader Group including low-income working families) received an automatic rebate this would equate to an estimated 2.8⁴³ million rebates. Within the current spending envelope (£320 million) this would mean the value of the rebate for all households would decrease by £26 from £140 to £114. This equates to a c.18% 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 2.8 million households. Under this scenario the value of the rebate for all households would need to decrease by £40 from £140 to £100. This equates to a c.29% reduction in the value of the rebate. Given the number of frail and elderly people that die every winter, we do not believe the Government should reduce current support for low-income pensioners, nor should the GB wide policy be targeted solely at fuel-poor households under the Low-Income High-Cost (LIHC) definition.

Providing automatic rebates for low income working families and extending Industry Initiatives would therefore require the current envelope of the programme to be expanded. These reforms could be achieved in a cost-neutral way by leveraging the savings made by the BEIS smart systems and flexibility plan or reconfiguring how the Winter Fuel Payment or Cold Weather Payments work. Unless otherwise stated, the source for figures used in this analysis is BEIS's Impact Assessment for extending the WHD to 2018-19⁴⁴. It should be noted that this cost analysis is indicative only⁴⁵.

Impact of our 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 2.8 million eligible Core Group and Broader Group households within the standardised criteria received an automatic WHD rebate valued at the current amount of £140 this would increase the spending envelope by £112 million from £320 million to £432 million, if spending for industry initiatives is maintained.

WHD spending envelope retaining current value of rebate and Industry Initiatives

WHD 2019/20 Option 2b: Automatic rebate for Core and Broader Groups and retain £40m Industry Initiatives cap	
Total number of WHD eligible households	2.8m
Total number of automatic rebates	2.8m
Total number of 'first come first served' rebates	None
Total number of rebates	2.8m
Value of rebate	£140
Spending envelope available for rebates	£392m
Spending envelope available for Industry Initiatives	£40m
Total spending envelope	£432m
£ change from current envelope	+£112m
% change from current envelope	+35%

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 meters 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)⁴⁶. 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 **£4.50 or a 0.4% increase** on average dual fuel bill or less than 16% increase in overall environmental and social obligation costs⁴⁷. 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 ~4% of the total current LCF budget⁴⁸.

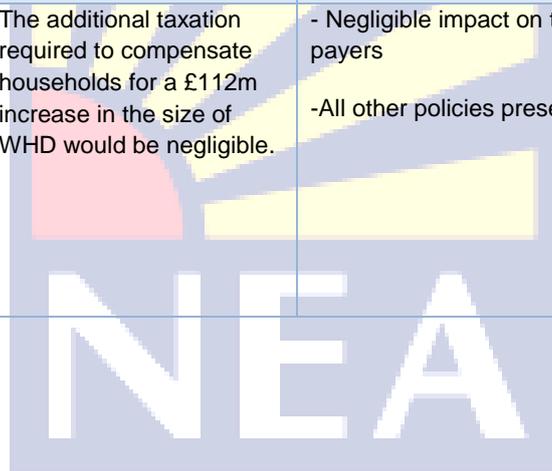
Impact on bills of expanding WHD envelope

	WHD 2018/19: £320m spending envelope spread across larger suppliers only	NEA preferred policy option
Total cost of WHD scheme	£320m	£432m
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 dual fuel customer⁴⁹	£12.86	£17.36
£ change on average dual fuel bill of £1292⁵⁰	No change	£4.50
% change on average dual fuel bill of £1292	No change	0.40%

Options for paying for additional WHD rebates

Policy option	How it would work	Financial Rationale	Pros	Cons
Levy	Levy costs onto bills as usual but costs will be more than offset by the savings made in the Smart Systems & Flexibility plan	<i>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.</i>	<ul style="list-style-type: none"> Compensates low incomes households who often pay more because they: <ul style="list-style-type: none"> have a pre-payment meter; are unable to switch provider; are more likely to be off-line so can't access the best deals; or struggle to find or access a cheaper tariff Redistributes savings made in the SS&F plan in a more progressive way. Relatively admin light No net cost to the taxpayer 	- Adds small 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 tax or reduce 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	<ul style="list-style-type: none"> - No net cost to the taxpayer - More progressive use of government money 	<p>Contradicts manifesto commitment to preserve the WFP (and would need to continue in NI as WHD is only a GB wide policy)</p> <p>Reintroduction of GER may add extra admin</p>
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.	<ul style="list-style-type: none"> - No net cost to the taxpayer -Support the same households as current policy but directly reduces bills as opposed to income supplement (as CWP is) – WHD payment comes pre-winter as opposed to CWP, so is more useful. - CWP seen as difficult to administer by DWP. BEIS could administer this proposal at little cost compared to the CWP 	<ul style="list-style-type: none"> - The CWP would need to be retained in NI (as WHD is only a GB wide policy) -In warm years, could cost government more money is saved. - Reintroduction of GER may add extra admin (compared to the levy)
Additional tax funded support to offset impact on consumers via general taxation	Fund the expand WHD through a levy on consumer bills that is offset by a “Government Electricity Rebate” (GER) paid for via additional general taxation	The additional taxation required to compensate households for a £112m increase in the size of WHD would be negligible.	<ul style="list-style-type: none"> - Negligible impact on tax payers -All other policies preserved 	<ul style="list-style-type: none"> - Reintroduction of GER may add extra admin (compared to the levy)



Action for Warm Homes

Sources and additional information

¹ Over the last 5 years, there has been an average of 35,562 excess winter deaths each year. NEA estimates that approximately 30% of these are attributable to the impact cold homes have on those with respiratory and cardio-vascular diseases and the impact cold has on increasing trips and falls and in a small number of cases, direct hyperthermia. This is in line with estimates made by the world health organisation - http://www.euro.who.int/_data/assets/pdf_file/0003/142077/e95004.pdf.

² In 2017/18, excess winter deaths exceeded 50,000 across the UK, and NEA estimates that 17,000 people died because they were unable to keep adequately warm at a reasonable cost.

³ According to a recent NEA call for evidence many fuel poor households are adopting unsafe strategies to try and survive winter. This includes the regular use of older dangerous or un-serviced heating appliances is common place, despite being potentially fatal or leading to heightened risks for nearby neighbours as a result of carbon monoxide poisoning or in extreme situations, fires and explosions. Many more people are going to bed early to keep warm and using candles to save on electricity. People struggling to heat their homes are also spending their days in heated spaces such as libraries, cafes or even A&E to avoid the cold, damp and unhealthy homes continue to cause shocking levels of unnecessary hardship and premature mortality.

⁴ In 2016 BRE released its revised Cost of Poor Housing (COPH) report, which estimated the cost of poor housing to the NHS based on EHS and NHS treatment costs from 2011 and includes treatment and care costs beyond the first year. It also includes additional societal costs including the impact on educational and employment attainment. Finally, it provides information in terms of QALYs (Quality adjusted life years) as well as cost benefits, and to compare with other health impacts. The report estimates that the overall cost of poor housing is £2bn, with up to 40% of the total cost to society of treating HHSRS Category 1 hazards falling on the NHS. Overall, the cost to the NHS from injuries and illness directly attributed to sub-standard homes was estimated at £1.4billion, and the total costs to society as £18.6 billion.⁶ Research by the BRE in 2013 suggested that if all of the English housing stock with a SAP below the historic average of 41 was to be brought up to at least the current average of 51 through heating and insulation improvements, the health cost-benefit to the NHS would be some £750 million per annum.⁶ Other estimates put the costs to the NHS of energy inefficient housing at £192 million (£35 million of which was in the Private Rented Sector). Use of the BRE category 1 calculator put the estimated Private Rented Sector costs to the NHS at between £37 and £674 million depending on SAP rating and occupancy level.

⁵ Upgrading as many fuel poor homes to EPC Band C by 2030

⁶ The net disposable 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 disposable 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.

⁷ Under the current England definition of fuel poverty a household is fuel poor if: the amount they would need to spend to keep their home at "an adequate standard of warmth" is above the national median level and if they spent that amount, their leftover income would be below the official poverty line. In other words, under the English definition of fuel poverty, a household is fuel-poor if their income is below the poverty line (taking into account their energy costs); and their energy costs are higher than is typical for their household type. This reduced the amount of households in fuel poverty in England by over 1 million households and shifted the distribution of fuel poverty and over 45% of all fuel poor households in England are in full or part-time work. The Government has however recently consulted on changing the definition. NEA agrees that a new metric of fuel poverty is needed to simplify the complex existing Low Income High Costs (LIHC) indicator. In our recent call for evidence, 82% of respondents said it was ineffective in defining and identifying households in or vulnerable to fuel poverty. Whilst it was felt that the indicator has been useful in illustrating the fuel poverty gap, stakeholders noted that:

- It is difficult to use LIHC to demonstrate fuel poverty at an individual level, risking vulnerable households being excluded from support; and
- It is a difficult concept to explain to the general public, thus transforming it into a technical tool rather than a practical one for advisors.

The consultation document outlines Government proposals for updating the way fuel poverty in England is defined and measured. NEA hopes the proposed 'Low Income Low Energy Efficiency' (LILEE) measure would reduce this complexity. The LILEE measure would also address the amount of households moving in and out of fuel poverty (churn) and be better aligned with the key goals of the strategy overall. It would also increase the number of households considered to be fuel poor in FPEER Bands D-G by over a million and we welcome the prospect that these households will be assisted with energy efficiency improvements by 2030. The change would however reclassify around 200,000 households in Band C and above from fuel poor to non-fuel poor and we stress the need for the Government to indicate how they would continue to monitor the LIHC headcount and fuel poverty gap across all EPC Bands. On-going support will also need to be provided to households who cannot be improved to Band C; and households living in properties Band C or above but who are struggling on low-incomes and will need to benefit from income support measures, energy rebates and/or wider protection from retail energy markets.

⁸ Annual Fuel Poverty Statistics Report, 2019 (2017 data), BEIS 2019, page 11.

⁹ Business, Energy and Industrial Strategy Committee Energy efficiency: building towards net zero Twenty-First Report of Session 2017–19 Report, together with formal minutes relating to the report Ordered by the House of Commons to be printed 9 July 2019, page 23.

¹⁰ The related notes state that the £2.5 billion Home Upgrade Grants will replace boilers, provide insulation and in some cases replace energy systems wholesale. 200,000 homes will be upgraded, providing an average annual saving of £750 a year. It will cover costs up to £12,000 and apply to fuel poor households with poor energy efficiency. For further information visit: <https://vote.conservatives.com/news/our-manifesto-gets-brexite-done-and-unleashes-the-potential-of-the-whole-country>.

¹¹ For further information visit:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/853886/Queen_s_Speech_December_2019_-_background_briefing_notes.pdf

¹² As well as HUG and WHD, NEA has been working with the Department for Business, Energy and Industrial Strategy (BEIS) to also follow through with key commitments surrounding domestic energy efficiency made within the 2018 Clean Growth Strategy:

1. An extension of the Energy Company Obligation (ECO) until 2028 at the current level of ECO funding
2. Develop a long term trajectory to improve the energy performance standards of privately rented homes, with the aim of upgrading as many as possible to EPC Band C by 2030 where practical, cost-effective and affordable
3. Consult on how social housing can meet similar standards over this period

To see the strategy in full, please visit

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/700496/clean-growth-strategy-correction-april-2018.pdf.

¹³ Other key actions to deliver a 'fair' transition include capturing the opportunity for the Infrastructure Strategy to include domestic energy efficiency, for the review of meeting the net zero to fully investigate the benefits of meeting fuel poverty goals across the UK and ensuring the impact of policy costs on bills (especially for low-income and all-electric consumers) is appraised annually.

¹⁴ These key commitments have subsequently been re-affirmed in several Parliamentary Questions and in particular by Lord Duncan of Springbank (Parliamentary Under-Secretary for the Department for Business, Energy and Industrial Strategy) during a recent debate in the Lords on energy efficiency where he underlined that there will be £6.3 billion-worth of upgrade for those in fuel-poor homes, an upcoming consultation on raising minimum energy performance standards in private rented homes, alongside side seeking to improve the warm home discount and energy company obligation. He also rightly noted "each of these will be necessary" to meet the Government's fuel poverty commitments and will be included alongside an updated fuel poverty strategy for England and Energy White paper. He also emphasised how these announcements will be a key part

of the Government's approach in the build-up to COP 26 in Glasgow in November. See: [https://hansard.parliament.uk/Lords/2020-02-07/debates/45023680-92D1-4EF1-AC56-20B83289A51C/DomesticPremises\(EnergyPerformance\)Bill\(HL\)](https://hansard.parliament.uk/Lords/2020-02-07/debates/45023680-92D1-4EF1-AC56-20B83289A51C/DomesticPremises(EnergyPerformance)Bill(HL)).

¹⁵ The BEIS committee ran an inquiry on energy efficiency in 2019. For the final report, please see <https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/1730/1730.pdf>

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¹⁸ See <http://researchbriefings.files.parliament.uk/documents/POST-PN-0550/POST-PN-0550.pdf>

¹⁹ See <http://researchbriefings.files.parliament.uk/documents/POST-PN-0550/POST-PN-0550.pdf>

²⁰ The ECO3 final stage impact assessment shows that the total spend of the scheme will be approximately £1.6bn, and the total costs for the scheme administrator is £5m. For more information, visit

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/749638/ECO_3_Final_Stage_IA_Final.pdf

²¹ The ECO3 final stage impact assessment shows that the total spend of the scheme will be approximately £1.6bn, and the total environmental benefit from carbon savings and air quality improvements is £785m. For more information, visit

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/749638/ECO_3_Final_Stage_IA_Final.pdf

²² Ensuring those who are most vulnerable to the effects of a cold home are prioritised and not unreasonably turned down for help is essential and in line with another guiding principle of the draft fuel poverty strategy; "Reflecting vulnerability in policy decisions".

²³ The ECO3 scheme consists of one distinct obligation and energy suppliers must achieve cost savings of £8.253 billion under the Home Heating Cost Reduction Obligation (HHCRO). The target is divided between suppliers according to each supplier's relative share of the domestic gas and electricity market.

²⁴ Based on current delivery rates of ECO it will take 56 years to for fuel poor households to benefit from solid wall insulation and 39 years to ensure all fuel poor households who need loft insulation receive this assistance.

²⁵ The clean growth Strategy committed to developing a long term trajectory to improve the energy performance standards of privately rented homes, with the aim of upgrading as many as possible to EPC Band C by 2030 where practical, cost-effective and affordable. It also committed to consult on how social housing can meet similar standards over this period.

To see the strategy in full, please visit

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²⁶ The Committee on Fuel Poverty (CFP) have also noted the need to dramatically enhance enforcement, view their research report and CFP's recommendations here:

²⁷ Given the absence of any other policies being announced to replace the RHI, it is likely that HUG will largely replace the RHI policy beyond the end of 2020 albeit restricted to fuel poor homes.

²⁸ Gas boiler repairs and replacements are not considered key measures to make progress towards the fuel poverty interim milestones and 2030 target. NEA has however highlighted in a typical semi-detached home, upgrading heating controls and replacing a gas boiler that is around 80 per cent efficient (D rated) with a new boiler will save around £85 a year, whereas replacing a boiler that is 70% efficient (G-rated) could save over £300 a year. This is based on a 70 per cent or below efficient boiler with no heating controls being replaced by an at least 90 per cent efficient boiler with heating controls. Households which have the worst performing boilers could save even more than this. Heating and hot water accounts for about 60 per cent of what a household spends in a year on energy bills, so an efficient boiler makes a big difference, especially to those households which are struggling to pay their energy bills. Replacing a boiler could save between 0.3 and 1.5 tonnes of CO₂ each year depending on the efficiency of the boiler being replaced. 1.5 tonnes of CO₂ is the equivalent of a return flight from London to San Francisco. Boiler replacement will also have a positive impact on air quality. Ensuring those who are most vulnerable to the effects of a cold home are prioritised for these measures and not unreasonably turned down for help is therefore essential. First Time Central Heating (FTCH) is also demonstrated to be one of the most effective measures for removing households from fuel poverty. There is also a clear carbon benefit when FTCH is replacing solid fuel (like coal or untreated wood) and heating oil.

²⁹ If support for gas boilers is not included within HUG, it will be critical for the HUG scheme administrator to be able to refer households to schemes where this assistance can be accessed (ECO, WHD, local crisis funds and/or network companies etc) and for central or local government to consider alternative forms of support for boiler repairs and replacements.

³⁰ BEIS estimate that over 70% of domestic energy consumption involves heating water for space heating, washing, cooking and there is a strong correlation between households in fuel debt and those in water debt. Both energy and water sectors have focused, but different, schemes for consumer engagement, special assistance or priority services registers, debt and welfare advice, financial assistance, special tariffs and efficiency campaigns or measures that deliver support to households as energy and water consumers. HUGs could help enhance coordination of this assistance.

³¹ I.e Microgeneration Certification Scheme (MCS) accreditations for installers and technologies.

³² NEA (2012) Green Deal and Energy Company Obligation: The design and delivery of energy efficiency and fuel poverty advice services to vulnerable citizens. Funded by DECC. Available at: http://www.nea.org.uk/wp-content/uploads/2016/02/02-NEA-2012-GD_advice_summary.FINAL_.pdf.

³³ Dr Peter Bonfield (2016) Each Home Counts: Review of Consumer Advice, Protection, Standards and Enforcement for Energy Efficiency and Renewable Energy. Commissioned by DECC, now part of BEIS, and DCLG. Available:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/578749/Each_Home_Counts_December_2016_.pdf.

³⁴ Access to energy-related advice could include: advice on the importance of keeping warm and well at home; The importance of ventilation and how to avoid condensation and damp problems; Energy bill and switching advice; How to use new heating controls, existing or new heating systems; Managing fuel debt, benefit advice and income maximisation; Advice on further energy related grants or energy supplier support such as the Warm Home Discount (WHD) and the Priority Service Register (PSR).

³⁵ As a result, HIP helped deliver considerable improvements in how households experience their home heating, including aspects such as control over heating systems and ease of use but also thermal comfort and energy bill affordability. In addition, over half of households who received large measures and almost half of small measures households, associated changes in their pre-existing health conditions to the receipt of their HIP interventions.

³⁶ Last year (2017/18) NEA led five industry initiative schemes, helping approximately 4,000 people with their energy bills. For further information please contact peter.smith@nea.org.uk.

³⁷ See: <https://www.gov.uk/government/publications/energy-trends-march-2019-special-feature-article-comparison-of-theoretical-energy-consumption-with-actual-usage>.

³⁸ Other key actions to deliver a 'fair' transition include capturing the opportunity for the Infrastructure Strategy to include domestic energy efficiency, for the review of meeting the net zero to fully investigate the benefits of meeting fuel poverty goals across the UK, ensure the impact of policy costs on bills (especially for low-income and all-electric consumers) is appraised annually.

³⁹ As noted above, as well as HUG and WHD, NEA has been working with the Department for Business, Energy and Industrial Strategy (BEIS) to also follow through with key commitments surrounding domestic energy efficiency made within the 2018 Clean Growth Strategy:

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⁴⁰ This new cross-departmental programme would ensure all UK homes are made highly energy efficient and will require additional public capital investment of £1 billion a year for the next 15 years⁴⁰. It would also establish an independent energy efficiency delivery body to coordinate the Programme and reintroduce renovation advice provision.

⁴¹ This require all fuel poor homes to benefit from energy efficiency improvements by 2030 to reach the standard of a modern home built today, supported by interim milestones.

⁴² The Pre-Payment Cap and the Default Tariff Cap also provides relief from unpredictable price increases, greater transparency in the pass through of energy related policy costs and the prospect that bills could fall if input costs drop. For the majority of customers who don't (or can't) engage in the market, this continues to be a positive development, despite the recent rises that were announced on the 7th February

⁴³ This figure is estimated, based on figures provided by BEIS based on data from DWP. The estimate of broader group recipients communications with the BEIS Warm Home Discount team who estimate from DWP data that a further 1.7m households are captured by the mandatory broader group criteria. An estimate of all customers that qualify for the broader group would increase this number by over a million, based on the WHD 2019/19 Impact Assessment

(https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/716463/Warm_Home_Discount_FS_IA_Signed.pdf)

⁴⁴ WARM HOME DISCOUNT SCHEME 2018/19, Final Stage Impact, Assessment BEIS, June 2018.

⁴⁵ 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.

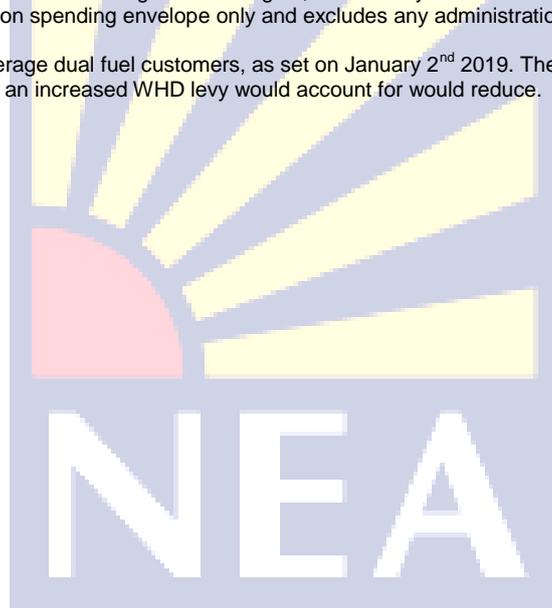
⁴⁶ See: https://www.ofgem.gov.uk/sites/default/files/docs/2015/04/smi_methodology_apr2015_0.pdf.

⁴⁷ 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

⁴⁸ CCC, 2017, Energy Prices and Bills - impacts of meeting carbon budgets, Annex Levy Control Framework - costs and cost sensitivities.

⁴⁹ 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.

⁵⁰ This is based on the price cap for the average dual fuel customers, as set on January 2nd 2019. The cap will increase on the 1st April 2019, meaning that the percentage of the bill that an increased WHD levy would account for would reduce.



Action for Warm Homes