

UK FUEL POVERTY MONITOR



Action for Warm Homes



2019-20

EXECUTIVE SUMMARY



COUNTRY SUMMARIES

ENGLAND

Definition:

Low-Income, High-Cost (Household income lower than 60% of median income; higher than average energy costs).

Statutory Target for all fuel poor households to reach EPC C by 2030. Corresponding milestones to reach EPC D by 2025 and EPC E by 2020.

Definition is in the process of changing to living in a home with an EPC of below C, whilst having a residual income below the poverty line.

Progress Towards the Fuel Poverty Target and Milestone

Target/Milestone	2010 Progress	2017 Progress	2018 Progress
2020 Milestone (EPC E or above)	81%	92%	93%
2025 Milestone (EPC D or above)	33%	66%	69%
2030 Target (EPC C or above)	2%	10%	12%

SCOTLAND

Definition:

A household is defined as being in fuel poverty if more than 10% of its net income (after housing costs) is required to heat the home and pay for other fuel costs. If more than 20% of net income is needed, the household is defined as being in extreme fuel poverty.

Statutory Target:

No more than 5% of Scottish households in fuel poverty by 2040, and no more than 1% of households being in extreme fuel poverty.

There are also targets to reduce household fuel poverty levels as progress is made towards meeting the 2040 targets.

	Target	Current
In Fuel Poverty	<15% by 2030, 10% by 2035, 5% by 2040	25%
In Extreme Fuel Poverty	<5% by 2030, 3% by 2035, 1% by 2040	11.3%
The Median Fuel Poverty Gap	£350 by 2030, £300 by 2035, £250 by 2040	£650

WALES

Definition:

A household is defined as being in fuel poverty if they would have to spend more than 10% of their income on maintaining a satisfactory heating regime.

Any household having to spend more than 20% is defined as being in severe fuel poverty.

Statutory Target:

To eradicate fuel poverty as far as reasonably practicable:

- in vulnerable households by 2010
- in social housing by 2012
- in all households by 2018.

NORTHERN IRELAND

Definition:

A household is said to be in fuel poverty if it needs to spend more than 10% of its income on energy costs.

Statutory Target:

2014 target to alleviate fuel poverty by targeting 33,000 in extreme fuel poverty (25% of income).

	Target	Current
Fuel Poverty in All Households	0% by 2018	12%
Fuel Poverty in Vulnerable Households	0% by 2010	11%
Fuel Poverty in Social Housing	0% by 2012	9%

	Target	Current
Fuel Poverty in All Households	None at present	22% (160,000)
In severe fuel poverty (15%+)	Target 33,000 spending 25% of income	6% (43,800)

INTRODUCTION

National Energy Action (NEA) and Energy Action Scotland (EAS) are the UK's national charities aiming to end fuel poverty. For close to two decades, we have published a yearly investigative report on progress to eliminate fuel poverty across the UK and within each of the four UK nations: the UK Fuel Poverty Monitor.

This year's UK Fuel Poverty Monitor (UKFPM) reviews the events that have resulted from the COVID-19 pandemic, and how they have impacted vulnerable energy consumers and the organisations that look to support them, cataloguing the response to this challenge from these organisations. It concludes with an investigation of the policies, strategies and other key actions that are urgently needed to address the impact of the pandemic this winter and beyond.

Through our Call for Evidence (CfE), which received responses from 73 respondents covering the breadth of the UK, and wider engagement with stakeholders, we found that the impact of COVID-19 has been unparalleled, both for fuel poor households, and those that support them.

“We have major concerns about impact this winter.”
Charity, England

“Many households will fall into fuel poverty due to increased unemployment.”
Charity, Northern Ireland

“For many customers shock bills are on the horizon when lockdown is lifted and we start to return to normal.” Charity, Wales

We found the following **five main impacts on fuel poor households:**



1. An increase in energy use, due to more people spending more time at home



2. A reduction in income, as many jobs were either lost or placed on furlough



3. Increased affordability issues and therefore debt, leading to energy rationing



4. Reductions in smart meter/ECO installs



5. Difficulties in accessing support, especially where households were digitally excluded or spoke English as an additional language

The impact on households has been stark.

Energy rationing can be deadly during cold winters and 95% of respondents to our CfE said there was a moderate or high risk of more households cutting back on their energy use due to being forced to spend more time at home during lockdown.

Three quarters of respondents said they were concerned that there is a high risk of the increased building up of fuel debt this winter, as a direct result of the pandemic.



At the same time, critical organisations that support fuel poor households often had to constrain their services at a time when they were most needed, or work tirelessly to provide the additional support and services needed during the outbreak. In these testing conditions, innovative best practice has also been found, where organisations have managed to support households in new ways.

In summary, we found that:



1 in 3 organisations we surveyed had to furlough staff



Three quarters of all staff of respondent organisations switched to homeworking



Two thirds noted the crisis had a significant or very significant impact on the type and range of services they were able to offer



More than 3 in 4 organisations have had to change the way they deliver services to vulnerable households. Almost half of the organisations experienced increases to the number of vulnerable households to whom they provide services



Over half of respondents changed how they communicate with partners since the crisis began

Governments and regulators across the UK told us the crisis has had a profound impact. Their priorities and capacity saw dramatic changes, and whilst some policies designed to help fuel-poor households have been delayed, quick action was also taken to ensure that vulnerable energy consumers were able to stay on supply during lockdown. In other instances, regulators struggled to secure commitments and mobilise the industry to provide appropriate support.

This mixed response to the unprecedented events that are still unfolding has prompted deep concern that fuel poor and vulnerable households could be hit particularly hard over this coming winter. During the colder months, many people will continue to stay at home for longer periods.

Alongside the psychological stress and social isolation caused by the virus, there are fears many will have to choose between heating their home adequately and falling into debt, or rationing their energy use and living in cold damp homes that are dangerous to their health and can shorten their lives. Millions also face this winter in properties which are dangerous or unfit for colder seasons.

Poor housing leads to sharp rises in energy use and a recent independent analysis highlighted that, if a second lockdown was reimposed during winter months, families in cold, leaky homes would face heating bills elevated on average to £124 per month, compared with £76 per month for those in well-insulated homes – a difference of £49 per month¹.

This can lead to a vicious cycle of hospital admission, discharge and readmission. Even before the current crisis, the economic burden of this ‘carousel of morbidity’ cost the NHS between £1.4 and £2.0 billion every year just in England².

Beyond the respondents to the CfE, many medical experts have also expressed heightened fears that a second COVID-19 wave during a cold spell this winter could be catastrophic for individuals and families and could overwhelm our health and social care services.

NEA wrote to the Prime Minister alongside more than 120 health professionals, elected officials, housing and energy sector professionals, EAS and Citizens Advice offices, urging him to follow through with manifesto commitments and Queen’s Speech proposals to invest in Warmer and Healthier Homes.³

In response to these risks this report finds conclusions around 5 key themes and makes recommendations to ensure that there is sufficient preparation ahead of a potential second wave.

Three quarters of respondents to our CfE said there was a high risk of the increased building up of fuel debt this winter, as a direct result of the pandemic.



IDENTIFYING NEED



Data that identifies the most vulnerable households is available to suppliers and the UK Government. This can be used to proactively target assistance. There are however large variances in the quality of data and systems of energy suppliers, and barriers to sharing data sets between a range of parties to deliver assistance directly to vulnerable households.

- Ofgem and energy companies should work to ensure that financially struggling households are more easily identified through the creation of a financial vulnerability flag or 'needs code' within the Priority Services Registers (PSR).
- Energy suppliers and networks should use their current available data to identify customers that could be particularly vulnerable during lockdown and proactively contact them to highlight relevant assistance.
- The UK Government should consult publicly on how accessing the shielded patients list could result in enhanced outcomes for energy and water customers and any legal barriers to realising these opportunities.
- Section 36(3) of the Digital Economy Act should be further expanded to allow local authorities, public sector health bodies and energy network companies to undertake direct data matching access with the Department for Work and Pensions (DWP), independent of licensed gas and electricity suppliers.

SUPPORTING PREPAYMENT (PPM) CUSTOMERS



Households with PPM meters suffered significant difficulties during the crisis, much of which could have been avoided if they had smart meters. Emergency and friendly credit were often lifelines for PPM customers to keep on supply.

- Ofgem should give clear direction to energy suppliers to significantly accelerate the smart meter roll-out for PPM customers.
- Energy suppliers should ensure that they have sufficient stocks of PPM top-up cards so that they can support more households.
- In Northern Ireland, the regulator must conduct a full analysis of the gas PPM infrastructure with medium and long-term strategies for an alternative to the existing system.

RAISING AWARENESS AND COMMUNICATION OF SUPPORT



There were many challenges to accessing support, especially where households did not feel comfortable contacting their energy supplier for help.

Several groups of households, especially those who are digitally excluded and speak English as an additional language, demonstrated very low or confused awareness of the support that could be provided by their supplier during the crisis.

Large variations in support creates confusion for householders and those supporting them.

- Regulators should ensure that energy and water suppliers have detailed plans for mobilising additional call centre support and/or ensuring call centre staff can work effectively from home.
- Regulators should work with utilities suppliers to set out what criteria they are adopting for 'emergency' calls and their call triage methodology/protocols for prioritising customer queries.
- Suppliers should also set out how customers without internet access and those unable to resolve BAU issues such as billing are able to contact their supplier and how soon their issues are likely to be addressed.
- Ofgem and BEIS should have regard to how companies have used different communication channels to see how non-digital consumers have missed out on support/advice during COVID-19.
- Regulators and Government should ensure that utilities have plans in place to provide information on emergency support in different languages and formats, including Braille, BSL, and languages such as Polish, Punjabi and Urdu.
- Suppliers should ensure that they have mechanisms for obtaining Authority to Act in lockdown that are streamlined while still being compliant, clearly set out, and able to be activated and communicated quickly to support organisations.
- Suppliers should develop a cross industry platform to allow faster understanding of what support is available from individual suppliers.

ADDRESSING UTILITY DEBT



Energy debt has built up over the crisis and is expected to surge over winter.

Whilst existing debt write-off schemes and debt advice are welcome, it is unlikely to be sufficient to address the impacts on customers or companies' financial viability.

- Ofgem should ensure that the risks of self-disconnection are fully understood by energy suppliers, including:
 - Monitoring to determine its scale
 - Embedding consistent processes to recognise self-disconnections
 - Ensuring that a customers' ability to pay is considered when creating debt repayment plans
- Whilst the off-gas grid sector is not regulated by Ofgem, it is important that these key protections are considered across all fuels.
- The UK Government should consider how to help accelerate the repayment of utility debts or as a minimum mainstream the adoption of current good practices within the energy industry or from within other industries. They should also ensure sensitive treatment of debt by bailiffs and sheriff officers.
- Governments, regulators and utility suppliers must promote fuel and water direct as a payment method in order for more eligible households to access the system.
- Boosting incomes can also help to reduce debt. Therefore:
 - DWP should work with BEIS to investigate the impact that delays in benefits payments are having on access to essential services.
 - The increase to the Universal Credit allowance and other benefits should be maintained or strengthened after the crisis abates.

ADDRESSING A HIATUS IN BAU POLICY MAKING



There has been a significant impact on business as usual policy making and programme delivery, including lost progress on energy efficiency and smart meter installs and delays in publishing new fuel poverty strategies and plans.

- BEIS must immediately consult on an extension to the existing Warm Home Discount (WHD) scheme in its present form in order for the programme to continue in April 2021.
- BEIS should set out the options or prepare the ground for further improvements and a necessary expansion of the programme which would be implemented from April 2022.
- The new Fuel Poverty Strategies for England and Scotland must be published as soon as possible.
- The fuel poverty plan for Wales and Fuel Poverty strategy for Northern Ireland should be consulted on immediately, each establishing targets for energy efficiency.
- The UK Government and Ofgem should work with the Northern Ireland Executive and Utility Regulator (UR) to ensure vulnerable energy consumers in Northern Ireland benefit from a comprehensive and consistent response from the energy industry to COVID-19.
- Ofgem must ensure that its proposals to improve market conditions for households that self-disconnect from their energy supply are applied in full, and in good time ahead of the coming winter.
- As part of the upcoming Comprehensive Spending Review, Treasury should ensure that the Shared Prosperity Fund helps end cold homes across the UK by providing funding for energy efficiency across the nations.



TIMELINE OF COVID-19 EVENTS

There have been events since the start of the pandemic that have shaped lives. The timeline below shows the events that had a significant impact on vulnerable energy consumers.

-
- MARCH 3rd** ○ Governments of the UK publish a coronavirus action plan which sets out a collective approach to the outbreak.
- 11th** ○ The UK Government announces a budget including £12 billion for temporary, timely and targeted measures to provide security and stability for people and businesses.
- 18th** ○ Scottish Government issues guidance for social landlords.
- 19th** ○ BEIS came to an agreement with all energy suppliers to ensure they support their customers through the pandemic.
- NEA releases a statement regarding our own operations.
- 20th** ○ The Government announces further measures to support workers, including the Coronavirus Job Retention (Furlough) Scheme.
- In Northern Ireland, the Utility Regulator makes a statement regarding their expectations of utilities during the pandemic.
- 23rd** ○ The UK Government decided to go into a full-scale lockdown.
- APRIL 2nd** ○ It is reported that one million applicants for Universal Credit were made in the two weeks since the 16th of March.
- 3rd** ○ Energy UK makes a statement about COVID-19, and the actions its members are taking to support households.
- 16th** ○ Ofgem updates its new work plan as a result of changes relating to COVID-19.
- May 1st** ○ Heat networks in Great Britain reach a similar agreement to the suppliers within themselves to support their customers through the pandemic.
- 4th** ○ It is reported that 2 million applicants for Universal Credit were made in the period since the 16th of March.
- 11th** ○ In Northern Ireland, the Executive publishes their Coronavirus Recovery Strategy.
- 13th** ○ UK Government extends the furlough scheme until October. At the same time, more people are encouraged to return to their places of work.
- 15th** ○ Advice NI release a COVID-19 update on their activities.
- 20th** ○ The UK Government announces support for the charity sector.

- JUNE 1st** ○ Lockdown restrictions are partially lifted, with more people able to go back to work.
- 9th** ○ In Northern Ireland, a £15.5m fund to support charity sector during COVID-19 crisis is announced.
- 19th** ○ Lockdown restrictions in Scotland are partially lifted.
- JULY 1st** ○ Ofgem announce that they are back to 'business as usual'.
- 4th** ○ Social distancing measures become more relaxed 6th – the UK government announces an economic recovery plan, including a £2bn energy efficiency voucher scheme to support jobs in the sector.
- 6th** ○ The UK government announces an economic recovery plan, including a £2bn energy efficiency voucher scheme to support jobs in the sector.
- 17th** ○ A local tightening of restrictions is announced in Leicester.
- 30th** ○ A local tightening of restrictions is announced in North West England.
- AUGUST 4th** ○ More detail on the £2bn Green Homes Grant is announced, including a £500m pot that local authorities can access.
- SEPTEMBER 1st** ○ Local authorities bid to access the £500m pot of money to improve the energy efficiency of fuel poor homes through the Green Homes Grant.





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