CONSULTATION RESPONSE

National Energy Action (NEA) response to BEIS's Consultation: Energy Bills Support – Managing the Impact of the Energy Price Shock on Consumer Bills Scheme.

About National Energy Action (NEA)

NEA[1] works across England, Wales and Northern Ireland to ensure that everyone in the UK[2] 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.

Background to this response

Across the UK, cold homes are already damaging the lives of the poorest households. Bills rocketed in April. Alongside similar unprecedented increases in Northern Ireland, the GB-wide rise is a disaster for those who were already struggling to pay their bills and it leaves over 6.5 million households in fuel poverty across the UK. Before October 2021, 4 million households in the UK were in fuel poverty – struggling to afford to keep their homes warm and safe.[3]

Then, the GB-wide price cap was raised in October. Our estimates showed that another half a million households were then classed as fuel poor, paying 10% of their income, after housing costs, on energy. With the current level of the price cap, we estimate that 6.5 million households in total are experiencing fuel poverty across the UK.

These price increases will impact all households. But for those who were already struggling to pay their bills, it will be catastrophic. If fuel poor households do not receive further support with their energy bills, they will either rack up large debts with their supplier, ration their energy, or do both of these things, leaving them at acute risk of serious ill-health and putting further unwanted strain our stretched health services. Polling conducted by YouGov on behalf of National Energy Action shows that 6 out of 10 British households say they would reduce their heating use by a fair amount/great deal if the cost of heating doubles. Too many will have to make a desperate choice between heating and eating.

So far, in reaction to this energy crisis, the Government has taken several actions.

Firstly, a £150 council tax rebate that will go to households with a council tax banding of A-D. Vulnerable households who are not eligible for that rebate may be able to access equivalent support from their local authority. The Resolution Foundation has shown that around 640,000 low-income households in England will miss out on the rebate[4], showing that the programme is not particularly well targeted.

Secondly, a further £500m injected into the Household Support Fund across the UK, to provide crisis funding for local authorities to help their constituents with energy, food, water and other essentials. To date, the DWP have suggested that the vast majority of this funding has gone towards free school meals, having little impact on helping fuel poor households to heat their homes. In 2020, 2 million fuel poor households in England alone (64%) did not contain a child under the age of 16.[5]

Lastly, the Energy Bills Support Scheme, which will enable each British household to 'heat now, pay later' this winter'; A £200 rebate that will have to be paid back through energy bills in the subsequent 5 years. Through evidence given to both the BEIS[6] and DWP[7] Select Committees, NEA has set out that such a scheme, designed in the way articulated in this consultation, will be disastrous for prepayment meter customers in particular, and could drive up significantly instances of self-disconnection. This is because prepayment customers, as well as those in arrears, will be less able to access the benefits of the scheme, while the costs will be recovered from everyone in a regressive way, through increased standing charges. As the scheme has to be paid back by consumers in the long run, we do not believe it will have a material impact on levels of fuel poverty. Some of these concerns have been articulated in the consultation document, yet there are concerningly no proposed solutions to them. **Although the scheme seems not to work in the interest of those who need support the most, our response to this consultation looks to suggest ways in which it can be improved in the interests of the poorest households.**

In aggregate, NEA has highlighted that the support offered by the Government so far is 'woefully inadequate'[8] . At the very best, households in England could expect to receive less £500 towards that increase, if all of the household support fund went towards fuel poor households, and if each received the council tax rebate – two outcomes that seem almost impossible. As experts predict that the price cap could increase by a further £500, or more, in October, there is an imperative to ensure that the support on offer works best for those most in need, as well as providing significantly more support ahead of the winter.

Summary of our Response

The Energy Bill Rebate scheme provides a £200 electricity rebate for households ahead of Winter 2022/23, followed by a £40 annual levy on electricity bills for the subsequent five years. The consultation sets out how this rebate and levy will be applied to households, and NEA has identified a number of issues with the proposed approach.

- Certain groups of households are at risk of receiving less, or no benefit from the rebate half of the scheme. The consultation identifies these issues but does not address them.
- The recovery of the levy puts a disproportionate burden on the poorest households to pay for a policy that they are less likely to benefit from.
- Simplicity is not the route to the optimal policy design, and the objective of the Government should not be to find the simplest solution, but the best solution for the poorest households that can be practically delivered.
- The administration costs of the scheme will be passed through to consumers, meaning that over a 6-year period, every household's energy costs will have increased as a result of the scheme being implemented.

These four themes are considered in turn below.

<u>Vulnerable households are at risk of seeing the least benefit of the scheme</u>

The consultation outlines two sets of households that will not see the full benefit of the scheme:

- Those households in arrears. The rebate will be applied to the arrears, which as the consultation suggests "may mean that some customers will not see a reduction in their electricity bills as the full value of the reduction will go towards their debt.". This approach will not make energy more affordable for those indebted customers without debt repayment plans in the Winter 2022/23, and will in effect just defer their debt to future years, a minimal benefit, and not the intention of the scheme.
- Households that use legacy prepayment meters, some of which "are unable to routinely open post or emails, or who may not have access to a smart phone or computer", and "are therefore at greater risk of missing out on the benefits of the scheme by not being able to

access the voucher, compared to customers for whom the credit is applied automatically by the electricity supplier". In the most comparable previous scheme, the General Electricity Rebate, up to 30% of legacy prepayment households did not benefit from the scheme.[9]

These two groups of households represent some of the most vulnerable in the energy market. There are over 2 million legacy prepayment customers, who are generally in the situation of using such a meter because of previous debt related issues. At least 48% earn less than £18k/year, 23% are disabled 69% live in rented accommodation.[10] More than 700,000 electricity customers were in arrears in 2021[11], a figure that has been rising year on year, and can be expected to rise again with increased energy prices. Households with arrears have generally fallen behind on bills because they haven't been able to afford their payments. Applying the rebate to reduce their arrears will not make energy more affordable.

In aggregate, this means that it is likely that richer households are more likely to see the benefit of the scheme than poorer households, as they are more likely to have the credit applied to their balance automatically (and less likely to be in arrears). This represents a regressive use of what is essentially public money, providing more material support to those who do not need it as much.

NEA believes that the payment of the £200 should be applied in such a way that is not applied to arrears, for example through reducing DUoS charges. Additionally, those households that are less likely to see the benefit of the rebate should receive it as a grant that does not have to be repaid.

<u>The recovery of the levy puts a disproportionate burden on the most vulnerable households</u>

While different sets of customers will benefit differently from the scheme (see above the differences particularly for households in arrears, and those using prepayment meters), the consultation sets out that all households will have to cover the costs of the scheme in the same way – through a £40 levy on the standing charge. NEA has contested that this would be a regressive cost recovery mechanism. Fuel poor households are significantly more likely to use less energy than their energy requirement. On average, fuel poor households use £320 less than their theoretical consumption, compared to £110 less for non-fuel poor households.[12] This means that standing charges often make up a higher proportion of a fuel poor household's bill, compared to the average non fuel poor household. Furthermore, households living in the lowest income deciles are now less likely to live in the least efficient homes, and more likely to live in those with the highest grades of energy efficiency.[13]

Additional to the regressive nature of the standing charge as a cost recovery mechanism, the Government has set out that the levy will be paid from 2023 onwards. Analysts across the board expect that energy prices will remain high throughout the next two years, exceeding £2000/year for the average household. If this comes true, the scheme will effectively add costs to a £2000 energy bill, currently the highest level we have seen the price cap reach, and the level of cost that initially provoked Government intervention.

Moreover, standing charges are becoming a significant issue for vulnerable energy consumers. Electricity customers currently face unavoidable standing charges of almost £200[14] for some meter types and regions £100 more than just 6 months ago[15], owing to the recovery of Supplier of Last Resort (SOLR) costs and a redefinition of the proportion of network costs that are recovered on a fixed basis. This will get worse, with more SOLR costs passing through in future price caps, and the large cost of Bulb administration being passed onto energy bills. This will have a material impact, particularly for prepayment households, resulting in in millions of people using less energy. The hundreds of thousands of prepayment customers that self-disconnect each year will be off supply longer before being able to top up their energy, as the standing charges continue to accrue even with no credit on the meter. The £100 increase we have already seen in standing charges is the equivalent of 25 days heating over the 2021/22 winter. This is heating that is now unaffordable for those households that had previously self-disconnected due to affordability reasons.

NEA therefore put forward several proposals to ensure that the levy can either be recovered on a more progressive or fairer basis, including:

- Exempting a set of low-income households from paying the levy (for example legacy prepayment customers, who can be easily identified by energy suppliers)
- Applying the levy on a volumetric basis such that the amount paid back is linked to the amount of energy consumed rather than a flat rate per meter

- Recovering the levy over a longer period (10 years)
- Beginning to recover the levy only once energy bills have reduced to levels before April 2022
- Ensuring that VAT is not recovered on the levy

While we are pleased that the Government will ensure that VAT is effectively not recovered on the levy, it is incredibly disappointing that each of our other proposals were rejected on the basis that "the Scheme needs to be as administratively simple as possible to ensure it can be delivered on time and to keep costs as low as possible". This ultimately means trading off the utility of the scheme for the poorest households in favour of simplicity and reducing cost. Ultimately, this leads to a poorer value scheme overall.

NEA recommends that the UK Government revisits the way that the levy will be recovered, considering the proposals above in the context of the value of the scheme, not just simplicity and cost.

Simplicity is not the route to optimal policy design

The consultation document sets out the five principles by which the scheme has been developed: Simplicity, Reach, Cost, Clarity and protections (for Government). Providing value to households has not been considered a key principle. Additionally, simplicity seems to have overridden other principles. Throughout the process of forming the proposed scheme, many decisions have been made on the basis of simplicity. In the consultation document alone, the following decisions have been made on the basis of simplicity:

- Not considering changes in household composition, meaning that there in many cases households will pay the levy without having received the benefit of the rebate.
- Maintaining that the levy should be paid on the standing charge, over a five-year period starting in 2023, regardless of household situation, and without taking into account the price of energy at that point in time (see below).
- Applying the rebate for households in arrears such that it reduces arrears as opposed to ongoing energy costs.
- Not excluding low income and vulnerable households from paying the levy.

Making these decisions based purely on achieving simplicity will result in a scheme that is not accessible to the hardest hit by the energy crisis and a regressive approach to the cost recovery levy . Ultimately, if the scheme goes ahead as planned, it will do very little to help soften the brutal impact of the energy crisis, and for many fuel poor households it could actually deepen their financial vulnerability.

NEA recommends that the Government prioritises how the scheme can be practically delivered whilst optimising the affordability of energy for the most financially vulnerable households.

Every household will see their energy costs increase of a 6 year period under current proposals

Government has consistently stated that this rebate is not a loan, and that it will not incur interest. In other words, households will not pay more through the levy than they received through the rebate. However, in the consultation document, it is set out that the administration costs of the scheme will be significant: "We consider the 2014 Government Electricity Rebate (GER) and payments to the core group (automatically eligible) within the WHD to be a close proxy to the anticipated costs incurred by industry. The GER cost to industry was estimated at £18 – £28 million and the WHD at £7.2 million to deliver support to around 2 million consumers". It is then proposed that "We expect reasonable costs will be incorporated into any future default tariff cap levels set by Ofgem, to ensure these costs do not impact the competitiveness of the energy market". In aggregate, this means that all things being equal, households will receive a £200 rebate, and then pay £201 for it over the subsequent five years. Even if the issues outlined above regarding prepayment customers and those in arrears are adequately dealt with, this represents poor value for households across the board.

NEA recommends that Government ensure that households do not end up paying more for their energy over the next six years as a result of the scheme, by centrally funding the administration costs.

Summary of our recommendations

In order to ensure that the scheme works in the interests of fuel poor households, the UK Government should:

1. Pay the rebate through a reduction of DUoS costs, so that it can reach all households.
2. Exempt certain groups of households from paying the levy, for example those using prepayment meters.
3. Recover the levy more fairly, through:
    a. Using a volumetric methodology, instead of a fixed one.
    b. Delaying the levy recovery until energy costs have fallen to pre crisis levels
    c. Spreading the cost of the levy over a longer period of time (10 years)
4. Not apply the rebate to arrears, ensuring that those in arrears see the benefit of the scheme this winter through reduced bills.
5. Prioritises how the scheme can be practically delivered whilst optimising the affordability of energy for the most financially vulnerable households, rather than simplicity.
6. Ensure that households do not end up paying more for their energy over the next six years as a result of the scheme, by centrally funding the administration costs

Our response to this consultation

Question 1 – a. Do you agree with our approach to how we have considered customer eligibility to the scheme? Yes/No. b. Are there any other household living arrangements we should consider? Yes/No. Please provide any reasoning to support your response.

NEA broadly agrees with the approach to eligibility. However, alongside this scheme there must be appropriate support for those households that do not have an electricity connection, who often live in the most vulnerable circumstances yet are still impacted by the energy crisis.

Question 2 – a. Do you agree with the proposed qualifying date, provisionally set at 23:59 GMT on 3 October 2022? Yes/No. b. Given this qualifying date, do you agree with the associated processes linked to it, as set out in the section titled 'Delivering the bill reduction to eligible customers'? Yes/No. Please provide any reasoning to support your response.

NA

Question 3 – Do you agree with proposals that suppliers should provide all eligible customers that they serve on the qualifying date with the reduction as quickly as possible and within six weeks, and by no later than 31 March 2023 for hard to-reach customers? Yes/No. Please provide any reasoning to support your response.

NEA broadly agrees with this proposal, however efforts must be made to ensure that hard to reach customers, who are often the most financially vulnerable, receive support as soon as is possible. 31st March 2023 is after the winter, and the benefit at that point will be scant conciliation for those who have had chosen to ration their heating, living in a cold home over winter.

Question 4 – Suppliers will need to notify their customers in writing once the Scheme reduction has been applied to their account. How could this process be made as effective as possible, while limiting administrative burdens? Please provide any reasoning to support your response.

NA

Question 5 – Under what circumstances do you think it would not be reasonably practicable for suppliers to provide the payment? Please provide any reasoning to support your response.

Suppliers should endeavour to provide the payment to their customers in all circumstances, as households who do not receive the support will not be able to avoid paying for the scheme in subsequent years.

Question 6 – Do you agree with the proposals to spread the benefit for Direct Debit customers over six months? Yes/No. Please provide any reasoning to support your response.

Yes, NEA agrees with this proposal.

Question 7 – Do you agree with the proposal for pay-on-receipt customers to feel the benefit of this Scheme in their next bill after the qualifying date? Yes/No. Please provide any reasoning to support your response.

No, NEA believes that where possible, households should receive the rebate gradually over winter, as per the proposal for direct debit customers.

Question 8 – Do you agree with the proposal for payment card customers to receive the full amount on their next quarterly bill after the qualifying date? Yes/No. Please provide any reasoning to support your response.

No, NEA believes that where possible, households should receive the rebate gradually over winter, as per the proposal for direct debit customers.

Question 9 – Are you aware of any reasons why payment card customers might need to receive the reduction across more than one bill? Yes/No. Please provide any reasoning to support your response.

NEA believes that it would be more attractive for all customers to receive the rebate gradually over winter, to aid households in their monthly budgeting.

Question 10 – Do you agree with the proposal for customers with smart prepayment meters to have the full amount credited to their meters as soon as possible after the qualifying date, where feasible? Yes/No. Please provide any reasoning to support your response.

No, NEA believes that where possible, households should receive the rebate gradually over winter, as per the proposal for direct debit customers.

Question 11 – .Do you agree with the proposal for the £200 to be issued via vouchers and/or SAMs to traditional prepayment meter customers? Yes/No. Please provide any reasoning to support your response.

No – NEA believes that the best way to ensure that prepayment customers receive the rebate would be through a reduction in the standing charge, not providing of vouchers/SAMs. As the consultation documents states, Households that use legacy prepayment meters, are often "unable to routinely open post or emails, or who may not have access to a smart phone or computer", and "are therefore at greater risk of missing out on the benefits of the scheme by not being able to access the voucher, compared to customers for whom the credit is applied automatically by the electricity supplier".

In the most comparable previous scheme, the General Electricity Rebate, up to 30% of legacy prepayment households did not benefit from the scheme.[16] This could be avoided through providing the rebate to prepayment customers through a cost reduction in their standing charge over the period October to April. This could be applied either through a negative network charge, or through a negative policy cost, and is achievable because of the separation of prepayment away from credit customers in the setting of the default tariff price cap.

Question 12 – For traditional prepayment meter customers, do you agree with the proposal that vouchers and/or SAMs should be valid until 31 March 2023, in line with the date for reconciling grants provided vs grants delivered? Yes/No. Please provide any reasoning to support your response..

See above for our views regarding vouchers/SAMs. However if BEIS decides to go down the route of vouchers and/or SAMs, the vouchers should be valid for much longer than the end of March. Giving five vouchers at the start of the period means that households are likely to use them sparingly over winter. This comes with a significant risk of forgetting to use them before the end of March. If significant numbers of prepayment households do not cash in their vouchers before April, this would amount to a serious fairness issue, with prepayment customers paying forma scheme they did not benefit from.

Question 13 – Do you agree with the proposal that vouchers and/or SAMs should be provided in five vouchers of £40 each? Yes/No. Please provide any reasoning to support your response..

See our answer to question 11.

Question 14 – Do you agree that traditional prepayment customers should be able to use vouchers for both electricity and gas (dual fuel vouchers)? Yes/No. Please provide any reasoning to support your response.

Yes. If BEIS decides to pursue the vouchers/SAMs route, they should be redeemable for both electricity and gas.

Question 15 – .Do you agree with the proposal for how to cost-effectively encourage traditional prepayment customers to redeem the Scheme vouchers/SAMs? Yes/No. Please provide any reasoning to support your response.

The consultation does not propose any methodology for encouraging traditional prepayment customers to redeem the Scheme vouchers/SAMs, asides from "We are exploring ways in which we can support customers to access vouchers through targeted campaigns and messaging. Ahead of the qualifying date, suppliers will be expected to continue encouraging customers to consider moving to smart prepayment meters, which will increase the number of households who will be eligible to receive support remotely and automatically". Without seeing any detailed proposals, we cannot say whether we agree or not.

Question 16 – a. Are you aware of any consumer groups who will not be reached by applying the reduction to electricity accounts? Yes/No. b. Please provide details of which group(s), why

they will not be reached and how you would suggest we reach them? Please provide any reasoning to support your response.

We are not aware of the specific demographics of households that are not connected to the electricity grid. However, Ofgem ran a call for evidence in 2019[17] to better understand those households and may hold this information.

Question 17 – Do you agree with the proposed approach to providing the grant to customers with different forms of energy debt? Yes/No. Please provide any reasoning to support your response..

No. households who are in arrears will have rebate will be applied to the arrears. The consultation document states that this "may mean that some customers will not see a reduction in their electricity bills as the full value of the reduction will go towards their debt." This approach will not make energy more affordable for those indebted customers without debt repayment plans in the Winter 2022/23 and will in effect just defer their debt to future years, a minimal benefit, and not the intention of the scheme.

Question 18 – Do you agree with this definition of bad debt? Yes/No. Please provide details of when customer debt would be classified as bad debt and how this is subsequently treated by their energy supplier.

Yes

Question 19 – Please provide evidence of how many domestic electricity customers currently have bad debt and how this might change over the next year. Please provide quantification and methodology where possible.

NA

Question 20 – Do you agree with the way in which we are proposing to fund suppliers? Yes/No. Please provide any reasoning to support your response.

NA

Question 21 – Do you agree with the proposal that suppliers should be required to report on delivery of the funds after the six-week period and the associated reconciliation process? Yes/No. Please provide any reasoning to support your response.

Yes, NEA agrees with this proposal.

Question 22 – Do you agree that applying the levy on a per meter basis would be the simplest approach to deliver and would impose the least administrative costs on the sector? Yes/No. Please provide any reasoning to support your response.

NEA disputes that the scheme should be looking to judge the success of the design of the scheme on 'simplicity' and 'minimising administrative costs'.

The consultation document sets out the five principles by which the scheme has been developed: Simplicity, Reach, Cost, Clarity and protections (for Government). Providing value to households has not been considered a key principle. Additionally, simplicity seems to have overridden other principles. Throughout the process of forming the proposed scheme, many decisions have been made, on the basis of simplicity. In the consultation document alone, the following decisions have been made on the basis of simplicity:

- Not considering changes in household composition, meaning that there in many cases households will pay the levy without having received the benefit of the rebate.
- Maintaining that the levy should be paid on the standing charge, over a five-year period starting in 2023, regardless of household situation, and without taking into account the price of energy at that point in time (see below)
- Not excluding low income and vulnerable households from paying the levy

Making these decisions based purely on achieving simplicity will result in a scheme that is not progressive, either in how the grant is applied to households (i.e. who receives the benefit), or how the levy is recovered (i.e. who pays the cost). Ultimately, if the scheme goes ahead as planned, it will do very little to help soften the brutal impact of the energy crisis, and for many fuel poor households it could actually deepen their financial vulnerability.

While different sets of customers will benefit differently from the scheme, the consultation sets out that all households will have to cover the costs of the scheme in the same way – through a £40 levy on the standing charge. NEA has contested that this would be a regressive cost recovery mechanism. Fuel poor households are significantly more likely to use less energy than their energy requirement. On average, fuel poor households use £320 less than their theoretical consumption, compared to £110 less for non-fuel poor households.[18] This means that standing charges make up a higher proportion of a fuel poor household's bill, compared to the average household that is not fuel poor. Furthermore, English households living in the lowest income deciles are now less likely to live in the least efficient homes, and more likely to live in those with the highest grades of energy efficiency.[19]

Additional to the regressive nature of the standing charge as a cost recovery mechanism, the Government has set out that the levy will be paid from 2023 onwards. Analysts across the board expect that energy prices will remain high throughout the next two years, exceeding £2000/year for the average household. If this comes true, the scheme will effectively add costs to a £2000 energy bill, currently the highest level we have seen the price cap reach, and the level of cost that initially provoked Government intervention.

Moreover, standing charges are becoming a significant issue for vulnerable energy consumers. Electricity customers currently face unavoidable standing charges of almost £200[20] for some meter types and regions £100 more than just 6 months ago[21], owing to the recovery of Supplier of Last Resort (SOLR) costs and a redefinition of the proportion of network costs that are recovered on a fixed basis. This will get worse, with more SOLR costs passing through in future price caps, and the large cost of Bulb administration being passed onto energy bills. This has a material impact, particularly for prepayment households, resulting in in millions of people using less energy. The hundreds of thousands[22] of prepayment customers that self-disconnect each year will be off supply longer before being able to top up their energy, as the standing charges continue to accrue even with no credit on the meter. The £100 increase we have already seen in standing charges is the equivalent of 25 days heating over the 2021/22 winter. Citizens advice has recently reported a significant increase in clinets reporting self-disconnections since the April energy price cap increase.[23]

NEA therefore put forward several proposals to ensure that the levy can either be recovered on a more progressive or fairer basis, including:

- Exempting a set of low-income households from paying the levy (for example legacy prepayment customers, who can be easily identified by energy suppliers)
- Applying the levy on a volumetric basis such that the amount paid back is linked to the amount of energy consumed rather than a flat rate per meter
- Recovering the levy over a longer period (10 years)
- Beginning to recover the levy only once energy bills have reduced to levels before April 2022
- Ensuring that VAT is not recovered on the levy

While we are pleased that the Government will ensure that VAT is effectively not recovered on the levy, it is incredibly disappointing that each of our other proposals were rejected on the basis that "the Scheme needs to be as administratively simple as possible to ensure it can be delivered on time and to keep costs as low as possible". This ultimately means trading off the utility of the scheme for the poorest households in favour of simplicity and reducing cost. Ultimately, this leads to a poorer value scheme overall

NEA recommends that the UK Government revisits the way that the levy will be recovered, considering the proposals above in the context of the value of the scheme, not just simplicity and cost.

Question 23 – Do you agree with our proposal for applying the levy to all DNOs? Yes/No. Please provide any reasoning to support your response.

Yes, NEA agrees with this proposal. It seems the most sensible way to apply the levy and can result in fair outcomes for households if our reasoning in answer to question 22 is followed.

Question 24 – Do you agree that the proposal outlined would keep the levy administration costs to a minimum for DNOs, whilst still providing the necessary assurance for the levy? Yes/No. Please provide any reasoning to support your response.

NA

Question 25 – Do you agree with our proposal that the levy will be charged on a per meter per day basis, according to electricity meter points served in each DNO's network? Yes/No. Please provide any reasoning to support your response.

No. Please see the response to question 22.

Question 26 – Do you agree that increasing standing charges is, in comparison to other routes, a preferable way to recoup the levy from domestic customers? Yes/No. Please provide any reasoning to support your response.

No. Please see the response to question 22.

Question 27 – Do you agree that the steps outlined above to provide notice to DNOs ahead of the first levy collection, and the notice period for subsequent years, are sufficient? Yes/No. Please provide any reasoning to support your response.

NA

Question 28 – What are your views on how any instances of under or over-collection should be managed? Please provide any reasoning to support your response.

Over-collection would imply that some households who should have received the rebate have not been able to access it, primarily for the reasons set out in the consultation relating to households that use prepayment meters. For that reason, we propose that any over-collection be used towards a fund that exists to support prepayment households that self-disconnect or are at risk of self-disconnection. This could, for example, be ad mistered through the Energy Redress Fund.

Question 30 – Do you agree with our rationale for proposing that levy payments should be made to the Payment Body quarterly? Yes/No. Please provide any reasoning to support your response.

NA

Question 31 – Do you agree with our proposal that DNOs should provide quarterly meter point data to the Payment Body to inform quarterly levy payment calculations? Yes/No. Please provide information about the availability of meter point data and the formats that it could be provided in.

NA

Question 32 – Do you agree with the proposal of using the existing collateral mechanism set out in schedule 1 of the Distribution Connection and Use of System Agreement? Yes/No. Please provide any reasoning to support your response.

NA

Question 33 – Do you agree with the proposal that the Payment Body may report and publish information on non-compliance and enforcement action? Yes/No. Please provide any reasoning to support your response.

NA

Question 34 – a. Do you agree that there should a mechanism to address late payments by DNOs to the Payment Body? Yes/No. b. If not, what alternative mechanism would you propose? Please provide any reasoning to support your response.

NA

Question 35 – For the transfer of grants to suppliers, do you agree that the proposed reporting requirements strike the right balance between having the ability to effectively monitor delivery of the Scheme whilst imposing the least reporting burden on suppliers? Yes/No. Please provide any reasoning to support your response.

NA

Question 36 – Do you agree that these reporting requirements should be set out in the Ministerial direction? Yes/No. Please provide any reasoning to support your response.

NA

Question 37 – Do you agree that the proposed reporting requirements for the levy strike the right balance between having the ability to effectively ensure money is recovered and imposing the least reporting burden on DNOs? Yes/No. Please provide any reasoning to support your response.

NA

Question 38 – Do you agree that Ofgem's current powers, and approach to enforcement of licence conditions, should be mirrored for this Scheme? Yes/No. Please provide any reasoning to support your response.

NA

Question 39 – a. Do you agree with the additional costs set out in table 3? Yes/No. b. Are there any other costs of administrating the Scheme we should consider? Yes/No. Please provide any reasoning to support your response.

NA

Question 40 – .a. Which element of the additional costs would you consider to be the largest or most burdensome? b. How could these costs be reduced? Please provide any reasoning to support your response.

NA

Question 41 – a. Do you agree that the administrative processes required to implement the Scheme are similar to elements of other policies such as the GER, WHD and the Green Gas Levy? Yes/No. b. If not, why do you think the Scheme will differ? Please provide any reasoning to support your response.

NA

Question 42 – a. Do you expect the administrative burden and cost to consumers to differ between a scenario where the levy is collected via energy suppliers vs by network companies? Yes/No. Please provide any reasoning to support your response.

NA

Question 43 – a. Can you provide a quantification of all, or any, of the elements outlined in table 3 and other costs you anticipate? Yes/No. Please provide any reasoning to support your response. b. Can you provide any further reasoning about the costs involved in delivering payments to customers? Yes/No. Please provide any reasoning to support your response.

NA

Question 44 – Do you agree with the way in which we are planning to treat supplier costs? Yes/No. Please provide any reasoning to support your response.

No. NEA does not believe that supplier costs should be passed through to their customers. This would mean that, on aggregate, each customer ends up paying more than the £200 rebate in increased bills in the subsequent five years, which would be unacceptable, meaning that every single household loses out from the scheme overall in terms of the amount they pay for energy to 2028. The Treasury should cover the cost to suppliers in order to avoid that situation.

Question 45 – Do you agree with our assessment on how energy suppliers and network operators would expect to recover any additional administrative costs due to the Scheme? Yes/No. Please provide any reasoning to support your response.

No. See our answer to question 44.

Question 46 – Do you have any other concerns regarding the costs of implementing the Scheme that have not been addressed in this consultation? Yes/No. Please provide any reasoning to support your response.

NA

[1] For more information visit: www.nea.org.uk.

[2] NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.

[3] For more information visit: https://www.nea.org.uk/energy-crisis/

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[6] Oral Evidence from Peter Smith, Director of Policy and Advocacy to the BEIS Committee, 8th February 2022. For more information see https://committees.parliament.uk/event/6991/formal-meeting-oral-evidence-session/

[7] Oral Evidence from Peter Smith, Director of Policy and Advocacy to the DWP Committee, 9th March 2022. For more information see https://committees.parliament.uk/event/7266/formal-meeting-oral-evidence-session/

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[9] Government Electricity Rebate Annual Report 2015-2016, Ofgem, 2016 https://www.ofgem.gov.uk/sites/default/files/docs/2017/01/ger_annual_report_sy2.pdf

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[19] Fuel Poverty Statistics 2020, BEIS (UK Government), 2022 https://www.gov.uk/government/statistics/annual-fuel-poverty-statistics-report-2022

[20] Default Tariff Price Cap Level April 2022, Ofgem, 2022 https://www.ofgem.gov.uk/sites/default/files/2022-02/Default%20tariff%20cap%20level%20-%201%20April%202022%20-%2030%20September%202022.pdf

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