Consultation Response

Ref 1316

Department of Energy & Climate Change consultation on the Warm Home Discount Scheme 2016/17

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1. Introduction

Age UK is the country's largest charity dedicated to helping everyone make the most of later life. We help more than 5 million people every year, providing support, advice and companionship for older people who need it most. In 2014/15, together with our local and national partners, Age UK helped older people identify £183 million in unclaimed benefits.

In April 2016 the Department of Energy & Climate Change consulted on a number of proposed changes to the Warm Home Discount Scheme including who will receive it.

2. Key points

Age UK is delighted to contribute to this consultation on the Warm Home Discount Scheme. The charity was substantially involved in the design of the original scheme, which on the whole has worked well for older people.

Our main concern is that with the strong encouragement for consumers to switch suppliers, and with new entrants to the supply market seemingly doing better in attracting this custom that the larger incumbent suppliers, older people may switch to a small supplier not obligated to pay the WHD, and so inadvertently lose eligibility for the discount.

The focus of this consultation is to finalise the rules for 2016-17, so there is little time to address this situation now. However, as we look forward to the scheme being further reformed for the following years to 2021, it will be important to return to this key issue.

3. Responses to consultation questions

Q1. Do you agree that the Core Group eligibility criteria should be retained for those people in receipt of Pension Credit Guarantee Credit in 2016/17?

Yes. The benefit of doing so, both in terms of the low cost of implementation and overcoming the reluctance of some older households to make a claim, is considerable.

Older people not receiving Pension Credit should not be discouraged from making a claim under the Broader Group rules. As more data-matching becomes a feature of the selection of Broader Group beneficiaries, there could be more older people eligible, e.g. Attendance Allowance claimants, if this was selected as an eligibility criterion in the future.

Q2. Do you agree that we should keep the Broader Group element unchanged?

Yes. With the increased standardising in recent years of Broader Group eligibility, it is becoming more straightforward for advisers to prompt people into making a claim.

Q3. Do you agree that the value of the rebate should be £140 in 2016/17?

Yes. Were energy prices to move dramatically upwards or downwards, there may be a case for review, but for 2016-17 this level of rebate provides not only a welcome contribution to household costs, but also reaches a reasonable number of households.

Q4. Do you think the current range of activities that count as Industry Initiatives represent value for money? Are there any other activities that should qualify as Industry Initiatives that currently do not? Are there any activities that currently count as Industry Initiatives that you think should not? Please provide evidence to support your answers

Yes. They are all valuable interventions, in respect of energy efficiency improvements and combatting fuel poverty.

Looking to the scheme from 2017 onwards, there is a case for encouraging energy suppliers to work more imaginatively with partners, including local authorities and health authorities, and to adopt an approach which addresses the deficiencies of the *whole* house (rather than focus on single measures), with the aim – shared with the Energy Company Obligation – of bringing the housing stock up to a target level of energy efficiency as measured by the SAP rating.

There will also be more pressure to support households through providing advice. Currently the benefit checks provide a very supportive service, but with smart meters increasingly being installed and new tariff offers being proposed, there is a strong case for helping households to adjust their behaviour to get the best from these changes and deal with any risks.

Q5. What are your views on suppliers having the option to achieve part of their Industry Initiatives spend through contribution to a central pot of funding in future years, which could then be used to fund innovative approaches to reaching and supporting those in greatest need.

We support this option, as a central pot would not just be an important option for new and smaller suppliers, but it would provide more transparent access for other local partners interested in soliciting funds to increase their fuel poverty programmes.

Q6. Do you agree that Government should place a cap on the amount of each supplier's Industry Initiative spend that can be spent on debt assistance? What are your thoughts on the cap being set at 50% of each supplier's Industry Initiative spend in 2016/17?

Yes, we agree. Debt assistance is important, but there are more worthwhile interventions which could permanently reduce energy costs than simply cancelling debts at periodic intervals. Given that suppliers are familiar with using this obligation substantially to help with debt, setting a cap at 50 per cent for 2016-17 feels like an appropriate requirement, but that level will need to be kept under review in subsequent years.

Q7. Do you agree that there should be no provision for any overspend to reduce future non-core obligations?

This should be an important principle for the scheme, but there is also a case for allowing some operational flexibility. If, as intended, the beneficiaries of the discount are identified by data-matching, there could be an element of unpredictability about the total cost of those discounts to energy suppliers. It would be perverse if suppliers began to use their industry initiatives funding stream as a shock absorber of unexpected outcomes in the budgets for cash discounts, because there needs to be stability in the delivery of these programmes.

Q8. Should spending targets be adjusted so that actual spending reflects the number of PPM customers benefitting from the rebate?

Yes. Aligning reported spending with actual spending clearly makes sense. The rolling out of smart PPMs should also be a way of addressing this anomaly.

Q9. Do you foresee any issues with the scheme year for 2016/17 running from August to May?

No.

Q10. Do you foresee any issues or risks associated with allowing suppliers to start Industry Initiative activities before the regulations are in place?

No, certainly not for 2016-17 when there will only be minimal changes.

Q11. Do you foresee any issues with suppliers having the option to pay the rebate on customers' gas accounts?

No. But from the perspective of making it simple for advisers to inform householders about the scheme, the presumption should remain that it is associated with the electricity account.

Q12. If the scheme is made cheaper to deliver from 2017/18, should the participation threshold be reduced below 250,000 domestic customer accounts? What would be the costs and benefits of such a change?

Yes. New, small suppliers are a growing part of the market, as the Government has intended. As noted in the introduction above, householders are at risk of losing the benefit of the discount if they switch to one of these suppliers, and lowering the participation threshold would mitigate this risk. Also, introducing the availability of a central pot for aggregating industry initiatives will simplify that part of the obligation for small suppliers.

Like the proposed cap on debt assistance projects (Q6), this threshold should be reviewed regularly as the scheme rolls forward.

4. Contact

To discuss any of these points, please contact Mervyn Kohler, Public Affairs Team, Age UK at mervyn.kohler@ageuk.org.uk.