Briefing: Support for low-income households
March 2023

Warm this Winter is a campaign demanding the government acts now to help tackle rising energy bills this winter and to ensure energy is affordable for everyone in the future. It is supported by over 40 leading anti-poverty and environmental organisations, including Save the Children, the Women’s Institute, WWF UK, and the End Fuel Poverty Coalition.

Summary

- Energy bills will still be unaffordable for millions of households - including some of the most vulnerable - throughout 2023/24.
- The cost of inaction will be a surge in demand on the NHS as the health impacts of living in cold, damp homes hits hard.
- We also need to tackle the growing energy debt mountain caused by the failed policies of the last few years.
- The support outlined only works if combined with long-term solutions, such as improved energy efficiency and reform of the energy market, to make energy affordable beyond this winter.

The problem: the hardest hit, the elderly, disabled and vulnerable still face abject fuel poverty

- Through the Energy Price Guarantee, the Government has capped the unit cost of energy for most domestic users, but this does not cap a household’s total bill. This is still calculated on usage.
- Even including the Energy Price Guarantee, and predictions that the unit costs of gas will fall back from their 2022 peaks, the cost of energy for the average household in winter 2023/24 has more than doubled (107% increase) since winter 2020.
- It is still predicted that everyone will see their bills increase in winter 2023/24 compared to this year due to the end of the Energy Bills Support Scheme.
- While support has been promised to vulnerable households of up to £1,350 it does not go far enough.
- Among these households will be many who have pre-existing health conditions, are disabled, elderly or have young families. They often have higher energy requirements for health reasons and are the most susceptible to the health complications caused by living in a cold, damp home. In many cases these health complications will be life threatening.
• Other groups, such as very low income single households, some rural areas and those living without mains gas or electricity will also be hardest hit by fuel poverty this winter
• Almost a million customers are in energy arrears with an average debt of £1,036 on electricity and £807 on gas. Paying energy debt back on this scale while real terms incomes are falling sharply is unfair and unrealistic.

The Immediate Solutions

• **Tackle the growing debt mountain**
  ○ Write off all debts for pre-payment meter customers and introduce a debt matching relief scheme for all other people with a debt repayment plan.
  ○ Under the debt matching relief scheme, every £1 paid back by the customer is matched by £2 paid back through a central debt relief fund.
  ○ Estimated cost of this measure is around £2bn.

• **Provide additional, targeted financial support to those who need it most:**
  ○ The Government should provide a further £150 uplift in disability benefits.
  ○ The Government should restore the £20 Universal Credit uplift available during the pandemic and ensure it is also available to everyone on means-tested benefits.
  ○ Provide energy bill support payments for people who do not have a mains gas connection of £250.
  ○ The Government should ensure that all households who received the Warm Homes Discount in winter 2021/22 can access a £150 rebate this winter, regardless of the new process introduced in winter 2022/23 which uses an algorithm to decide who benefits.
  ○ *The cost of these measures would be around £11.8bn.*
    ▪ £150 to c.16m disabled households - £2.4bn
    ▪ £20/week = £1040/year to c.8m households = £8.3bn
    ▪ £250 for c.4m off gas households in winter 2023-4 = £1bn
    ▪ WHD ask = up to £160m
  ○ To further help those with pre-existing health conditions, the Government should also suspend all prescription charges in England until December 2024.
  ○ The Government should also suspend any deductions to benefits to recover money owed for a variety of debts and advances.

*All the fiscal measures outlined above could be funded by £11bn of savings from the Energy Price Guarantee underspend, fines levied on energy firms for poor performance and - if necessary - closing the windfall tax loophole which would raise up to £22bn.*
- **There are a range measures, which do not have a direct impact on the public purse, which the Government can provide:**
  - Reform of the pre-payment meters regime (PPMs)
    - A full ban on all forced transfers of households onto pre-payment meters, whether by court warrant or remotely via smart meters.
    - Move people off legacy PPMs more systematically (using data to identify PPM customers on the priority service register to move to faster smart meter rollout for those on pre-payment meters)
    - Remove the premium paid by PPM, Economy 7 and standard credit customers.
    - Reduce standing charges for PPM customers.
  - End the electricity price premium, which results in electricity tariffs being linked to the gas price by overhauling the Electricity Market Pricing Arrangements.
  - The launch of a centralised public information campaign to ensure people are aware of, and signed up to the Priority Service Register.
  - Guidance to local authorities on best practice in using the Household Support Fund (HSF) to deliver free boiler repairs (where ECO criteria are not met), providing warm packs and financial support on non-means-tested benefits (e.g. ESA).
  - Work with charities and local authorities to increase the provision of energy advice (for example, single local point of contact for those struggling) and to develop guidance on how social prescribing could be used to help tackle fuel poverty.

- **Working with landlords, the Government could also support tenants in fuel poverty:**
  - Introduce a social rent cap, alongside ring-fenced funding to social landlords so that energy efficiency improvements are not sacrificed in the event of supply chain costs increasing.
  - Introduce a private sector rent freeze (similar to that introduced by the Scottish Government).
  - Urge local authorities to ensure landlords comply with existing private rented sector regulations - highlighting that enforcing these regulations is cost-neutral in the long term.

We also need to see the Government commit to:
- **Reform of the energy market** by following through on the commitment to work with consumer groups and industry to consider the best approach to consumer protection from April 2024, including options such as **Energy For All** and/or a **new social tariff**. **Energy For All** would offer a free allocation of energy to meet households’ basic needs, paid for in part by higher tariffs for excessive use of energy. A social tariff would be mandatory for suppliers to offer, set below the price cap, be additional to
current protections, offered to a well defined set of low income and vulnerable households and have auto-enrolment.

- **Protect people from future gas price shocks** by tackling energy waste through a longer-term Great Homes Upgrade, unblocking the cheapest forms of renewable energy like onshore wind and solar and reducing UK dependence on international oil and gas markets (see the other Warm This Winter briefings on energy efficiency and renewables).

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