

## **Warm Home Discount Scheme consultation paper – response by the West Midlands Association of Local Energy Officers (WM ALEO)**

### **Summary of ALEO response**

ALEO has responded to the consultation paper relating to the Warm Homes Discount Scheme. WM ALEO agree that the core eligibility group should be retained for those people in receipt of Pension Credit Guaranteed Credit in 2016/17, and that the broader group element should remain unchanged.

WM ALEO are pleased with the Government's plans to prolong the Warm Home Discount Scheme and open up its services to more people living with fuel poverty issues. The planned expenditure of £320m p.a. does however need to be part of a coordinated package of support for the individual fuel poor households that are to benefit – providing rebates to these households is not effective if they continue to live in poorly insulated homes that are leaking heat, and if they continue to pay unnecessarily high tariffs for their fuel for instance.

Page 9 of the consultation document describes the WHDS as being a key Government policy in tackling fuel poverty, yet it makes no actual contribution to the energy efficiency targets that it's committed to in the Fuel Poverty Strategy.

Rebates of £140 p.a. will not on their own provide a solution for many households for whom the depth of fuel poverty is much greater. The Government needs to bring forward proposals, within the scope of its Fuel Poverty Strategy, to join-up the support available for individual fuel poor households so that they receive holistic and sustainable solutions to their situation.

There is an acknowledgement on page 15 of the consultation document that rebates have a role to play in a cost-effective mix of measures, but then it's suggested that upgrading the housing stock is taking time and so in the meantime rebates will be especially important. The reality is that the successive cuts made by the Government to the Energy Company Obligation have severely limited the opportunities to upgrade the energy efficiency of the housing stock. If the Government were to take heed of the calls made by many organisations for adequate infrastructure funding for home energy efficiency, the situation could be much different.

Page 17 states that the Government is looking at an option to use Energy Performance Certificate (EPC) data to prioritise future rebates for those in the coldest homes. There are some potential issues with the accuracy of this approach:

- There are inherent weaknesses in the methodology used to produce an EPC rating.
- Some EPC ratings are inaccurate due to surveyor errors.
- There are significant numbers of homes that don't have EPCs because i) they haven't been sold or let since 2008, or ii) they are excluded from the requirement for an EPC (e.g. houses in multiple occupation), or iii) the owner has opted-out of making the EPC details available on the Landmark register, or iv) the landlord hasn't obtained an EPC because of deliberate intent or through ignorance of the requirements.
- Energy efficiency improvements may have been made to homes since their EPCs were produced.

Tenants living in the private rented sector will be particularly disadvantaged if there is a reliance on EPC data to prioritise householders living in colder homes.

Page 21 refers to the pilot scheme to enable park home residents to receive WHDS rebates. Once the pilot scheme has been completed, the Government should act to introduce changes as soon as possible to allow park home residents to continue to benefit. Suppliers should be mandated to provide funding for this.

**Question 1: 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, ALEO supports the retention of the Core Group eligibility for 2016/17 provided that the new WHDS is rolled-out in 2017/18.

**Question 2: Do you agree that we should keep the Broader Group element unchanged?**

Yes the Broader Group should have the same eligibility criteria in 2016/17 whilst the new scheme prepared.

**Question 3: Do you agree that the value of the rebate should be £140 in 2016/17?**

Please see General Comments above regarding the value of the rebate. Yes, ALEO does agree that the value of the rebate should be £140 in 2016/17, but whilst it is a welcome subsidy towards the energy costs of eligible households, it will not lift the most affected households out of fuel poverty. It is unacceptable that whilst the WHDS rebate for households in receipt of benefits remains fixed at £140 p.a., the Government continues to pay £2bn p.a. of WFP to many households that are not in need of this subsidy.

**Question 4: 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.**

ALEO are split as to the response to question 4. Although the Industry Initiatives do seem to represent value for money there are possibly other ways in which the money could be spent. Here are some examples that should be included from ALEO:

- White goods,
- Heaters and blankets emergency support to residents,
- Support for Park Home residents,
- Help for pre-payment meter users,
- Emphasis on targeting fuel poor households affected by ill-health or a disability should be given. Local authorities would be able to target these households using customer contact data, and through their Public Health departments,

And some notes related to what should not be included:

- Non independent energy advice and assistance to residents via utility companies. These residents should be supported by the Energy Saving Trust who would refer on to local advice agencies.
- Support for those in energy debt is very important, and the increase in spend on this may represent an increase in need. Capping additional support related to amount written off could have perverse outcomes. It is much better to help someone when they are in a small amount of debt! And energy and debt advice to prevent recurrence of the problem is crucial. The energy and debt advice funding could be used to support organisations already delivering this locally, for a more joined up approach.

There is also a strong feeling with ALEO that the Initiatives should be reformed to allow local authorities to play a significant role.

**Question 5: 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?**

A few thoughts from our members:

- A good idea if a percentage of the pot is not creamed off by utilities/agencies for administration costs. Existing successful winter warmth collaborations/ partnerships should be given direct access to this funding.
- Could work well as long as it links to local work. Perhaps using the LA as the linchpin for this.
- A lot of the industry spend goes on energy debt relief and advice, delivered by organisations linked with the utility companies. I don't know how well these function? There is definitely duplication here but bearing in mind that the utility company organisations are already up and running and have established links, to procure and set up one organisations likely to be costly. The alternative would be for local energy advice agencies and debt relief charities to make joint bids for this funding, provided they had the ability to work with the energy companies to get results. Thought would need to be given into ensuring provision in all areas, even if there was not a local bid.
- Opening up the Industry Initiatives to allow competitive bids for funding from a central pot would be welcomed, but it will be important for local authorities to have an equal opportunity to bid directly for this funding. It would be a major concern if the central pot was administered by Ofgem in a similar way to how it administer Voluntary Redress payments – local authorities have effectively been excluded from directly accessing this funding, and funding is instead seemingly allocated, in accordance with the wishes of suppliers, directly to charitable organisations without any competition. Suppliers should be mandated to contribute a minimum amount to the central pot, rather than being given the option to do so.

**Question 6: 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?**

Overall WM ALEO believe the answer to this should be no, here are a few thoughts from our members:

- This figure is set too low if last years was 72%.
- As previously suggested, if there is an increasing need for fuel debt assistance then that should be met and funded.

One local authority member felt the amount that can be spent on debt assistance should be capped. The cap should be 50% in 2016/17, and should reduce to 30% in subsequent years. At the same time, greater priority should be given to funding energy efficiency improvements for fuel poor households.

**Question 7: Do you agree that there should be no provision for any overspend to reduce future non-core obligations?**

This function allows flexibility to need. That being said, energy suppliers are unlikely to overspend if they don't know whether there will be a future scheme to carry that overspend into.

**Question 8: Should spending targets be adjusted so that actual spending reflects the number of PPM customers benefitting from the rebate?**

Yes the targets for prepayment customers should reflect the actual value redeemed rather than the vouchers issued.

**Question 9: Do you foresee any issues with the scheme year for 2016/17 running from August to May?**

No, but it does lead to a potential gap in provision for industry initiatives and this would have been best avoided by consultation taking place prior to the financial year. However, this can't be changed now.

**Question 10: Do you foresee any issues or risks associated with allowing suppliers to start Industry Initiative activities before the regulations are in place?**

Suppliers may not take the risk of their scheme not being retrospectively accepted by Ofgem. It would be better to allow definite funding for 'business as usual' schemes, with a transition period to the new arrangements.

**Question 11: Do you foresee any issues with suppliers having the option to pay the rebate on customers' gas accounts?**

No, it is essential that householders are able to have the WHDS rebate on their gas account. Suppliers should be mandated to do this wherever a householder is dual fuel, unless the householder chooses not to have the rebate in this way. It is not enough to just 'encourage' suppliers to do this.

**Question 12: 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 it should be reduced below 250,000 domestic customer accounts.

Smaller utilities would perhaps need to work with local authorities and agencies to identify recipients of the WHD, this would lower the cost of providing the financial support and would reduce instances of fuel poverty. Making the scheme cheaper to deliver suggests likely cuts in provision; unless it can be proven that the same level of benefit can be obtained from the new scheme being more efficient. If the same level of benefit can be achieved for less money, including smaller suppliers in the scheme will impact them more than the larger suppliers and will reduce the burden on larger suppliers. This may decrease market competition and the ability for fuel poor and other households to switch to smaller suppliers in order to save money. However, suppliers should flag to customers who are switching that they may lose warm homes discount and to check whether this negates any saving they make.