

SCOTTISH FUEL POVERTY ADVISORY PANEL – Scottish Recommendations for a Social Tariff

The case for change

It is the view of the Scottish Fuel Poverty Advisory Panel that the UK Government needs to reconsider the energy support given to vulnerable and disadvantaged households. All the universal measures of price support funded by the UK Government over winter 2022/23 are temporary and will have ended by March 2024, yet consumers are still predicted to face historically high energy costs for years to come.

By March 2024, the Winter Fuel Allowance, Winter Weather Payments, and Cold Weather Payments will be left as the only energy bill support funded through general taxation. The most far-reaching mechanism intended to support vulnerable households will be the Warm Homes Discount (WHD) and it has limitations in the way it is structured, funded and delivered. For example, the WHD has not kept pace with inflation or the high cost of energy; its value is insufficient, and is not tapered in a way that restores fairness to those who have to pay more to heat their homes (for instance if using electricity or unregulated fuels); it is funded through levies on all electricity bills, which both burdens those who are struggling with their energy bills and fails to raise the funds needed to meet the level of need; and, testimony from those living in fuel poverty, prove how difficult it can be to work through energy suppliers to access WHD.

It is the Panel's view that the UK's system of energy price support is no longer fit for purpose and that a comprehensive and flexible social tariff is required to replace the Warm Homes Discount. A significant level of targeted support will be needed to ensure vulnerable customers are able to heat their homes to recommended temperatures and access required energy services.

Our recommendations

1. The Panel recommends that the UK Government should introduce a comprehensive and flexible social tariff to replace the Warm Homes Discount. This should form part of a new approach to provide financial support for energy bills for low income, vulnerable and disadvantaged households to ensure that they are able to sufficiently heat their homes and access required energy services. Such a social tariff should aim to reduce levels of fuel poverty and eradicate extreme fuel poverty; protect health and address inequalities by ensuring everyone has satisfactory levels of energy provision, comfort, and warmth.

2. To substantially reduce levels of fuel poverty the Panel recommends a flexible social tariff that reduces the energy costs of eligible households. Those in greatest need should receive a tariff that covers a significant unit rate discount and all of their standing charge. The advantages of a tariff that discounts both the unit rate and covers the standing charge are:

- a. It can be automatically applied and does not require the use of vouchers which will increase the uptake rates among fuel poor households by overcoming some of the barriers to take-up faced by those on legacy prepayments meters.
- b. It will remove the burden of paying the standing charge, which is one of the factors that leads to self-disconnection.
- c. It will ensure the recipients' entitlement to means tested benefits remains unaffected
- d. it will ensure the investment is used for the purpose for which it's intended (i.e., it will ensure the discount is used to keep a home warm and well serviced, rather than being used to repay energy debt or to fund other household expenditure).

3. The Panel recommends that anyone on means tested benefits should be automatically eligible to receive a social tariff. This will include households on Universal Credit, Housing Benefit, Pension Credit, income-related Employment and Support Allowance (ESA), income-based Jobseeker's Allowance (JSA) and Income Support. We also recommend a second route where a household can apply and receive the social tariff even if they do not qualify for the means tested benefits above but nevertheless are likely to suffer some detriment if support is not available. Households should qualify for this second route if they have one of the following:

- a. They have a low income.
- b. They have a modest income and live in a home that's expensive to heat. E.g., houses with poor energy efficiency, houses off the gas grid, and households with high energy needs.
- c. A member of the household has a medical condition that requires an enhanced heating regime or that requires the use of electrified medical equipment at home.
- d. A member of the household's in receipt of Carers Allowance

4. The value of the tariff's discount should recognise different definitions of fuel poverty across the UK and ensure that the value of each household's discount is determined by the price of energy and the household's individual circumstances. Relevant household circumstances could include:

- a. Household income
- b. The total fuel costs necessary for a home. The inclusion of unregulated fuels will be especially pertinent for the relatively high percentage of the Scottish public living off the gas grid.
- c. Household location – the tariff should account for the additional energy consumption that is typical in remote rural and island communities.
- d. Medical needs of household members

- e. The time of year, with an aim of smoothing energy cost throughout the year, reflecting the point that prepayment customers in particular need higher levels of support in the heating season, and in peak winter.

A flexible tariff such as this will ensure the level of support can be targeted and tapered according to need. This tapering will help to avoid an entitlement cliff edge and to preserve the financial sustainability of the tariff.

5. The Panel recommends that the tariff's discount amounts are set by Ofgem or an independent body and are set with reference to closing the Scottish public's fuel poverty gap.
6. The Panel recommends that the UK Government administer eligibility criteria for the social tariff to ensure consistency and appropriate accountability. The necessary assessment of eligibility can be achieved quickly by the UK Government through linking HMRC, Department of Work and Pensions, and energy usage data. The UK Government should also be responsible for maintaining a clear and transparent process where people who miss out on receiving the social tariff can understand why, and / or appeal. Energy suppliers could then be made responsible for delivering the scheme. In the longer term, the system should also include a home's energy efficiency information.
7. It is the Panel's view that the level of meaningful financial assistance required to support households' energy costs cannot be funded simply through levies on bills. The Panel recommends that the costs of a social tariff are covered through general taxation. We believe that the costs could be offset by: reviewing the non-targeted non-taxable status of the Winter Fuel Allowance; and ringfencing taxation from the energy sector.
8. Finally, the Panel recommends that the Scottish Government considers reforming the current Winter Weather Payments and considers developing a Scottish Energy Supplement on top of any social tariff to address any specific circumstances in Scotland not covered sufficiently by any successor to Warm Home Discount.

Scottish Fuel Poverty Advisory Panel

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