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The Scottish Fuel Poverty Advisory Panel

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**To:** Ms Miatta Fahnbulleh MP, Parliamentary Under-Secretary of State at the Department for Energy Security and Net Zero

**cc**: Ms Gillian Martin MSP, Cabinet Secretary for Net Zero and Energy and Dr Alastair Allan MSP, Minister for Climate Action, The Scottish Government, Ms Caroline Flint, Chair of the Committee on Fuel Poverty.

**The Scottish Fuel Poverty Advisory Panel response on the affordability principle in The Fuel Poverty Strategy for England Consultation**

Dear Minister

We [the Scottish Fuel Poverty Advisory Panel] are a statutory advisory body which provides independent advice to Scottish Ministers on fuel poverty matters and scrutinises Scottish Ministers’ progress towards delivering Scotland’s 2040 fuel poverty targets.

The drivers of fuel poverty [high energy prices, poor energy efficiency of the home, low household income, and how energy is used in the home] are multi-facetted and therefore cut across government and policy boundaries. Fuel poverty mitigations sit in both reserved and devolved policy areas. Because of this we have, since our appointment in 2022, commented on fuel poverty issues and mitigation measures when these reach across Scotland’s devolved powers to reserved ones which could have an impact on fuel poverty in Scotland.

We recognise that the proposed Fuel Poverty Strategy is for England but there are elements of the consultation which will, or certainly have the potential, to have benefits for Scottish households too – in particular the proposed Strategy’s intended foundational pillar of energy affordability

In Scotland **34%** of all households are in fuel poverty. This equates to around 861,000 households. **19.4%** (or 491,000 of the 861,000 households in fuel poverty) are recognised as being in extreme fuel poverty, and the median fuel poverty gap is  **£1,250**.[[1]](#footnote-1) The figure of over a third of Scottish households living in fuel poverty is stark but this becomes more so when disaggregated. For example, 48% of households in remote rural locations find themselves in fuel poverty and 52% of households using electricity as their primary heating fuel live in fuel poverty.

We would like to take the opportunity of the consultation’s invitation for views on energy cost support for low-income and vulnerable households to set out our thinking to date on how this can best be achieved. We have already shared what follows with the UK and Scottish Governments, and Ofgem, but given the strategic role which England’s proposed Fuel Poverty Strategy could play in helping to lift people out of fuel poverty (or at least not deepen it) across the whole of Great Britain, we are taking this opportunity to draw our recommendations together and to present them collectively.

Our position is that fuel poverty is not inevitable even in an era of high and volatile energy prices. It can be mitigated and potentially eradicated through the right policy choices and effective, collaborative working. Our thinking and recommendations on what some of those policy choices could look like follow.

1. [Introduce a flexible energy discount mechanism](https://fuelpovertypanel.scot/our-publications/scottish-recommendations-for-a-social-tariff/) (also known as a social tariff or targeted bill support).

In August 2023, we published [recommendations for a targeted, flexible, and dynamic discount mechanism](https://fuelpovertypanel.scot/our-publications/scottish-recommendations-for-a-social-tariff/) 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. The key elements of our recommendations are that eligibility would be automatic, include those on low incomes as well as passport benefits, cover their standing charges and provide them with a discounted unit price. The design would be flexible enough to account for additional energy consumption needs, due to health, geography, heating source (also benefiting those off the gas network who rely on unregulated fuels such as heating oil), or house condition, when combined with income factors. We also made recommendations about the regulation and operation for the flexible energy discount mechanism.

We have recently participated and fed into the Scottish Government’s Social Tariff Working Group, which is promoting the step change a flexible energy discount mechanism would achieve for those suffering fuel poverty. Dr Allan, Scotland’s Minister for Climate Change, set this out in his [letter](https://www.gov.scot/publications/targeted-energy-bill-support-letter-to-uk-government/) to you of the 25 March 2025.

We also recently [responded](https://fuelpovertypanel.scot/our-publications/scottish-fuel-poverty-advisory-panel-response-to-whd/) to the Department for Energy Security and Net Zero’s consultation on the expansion of the Warm Home Discount (WHD). We made the point that WHD has not kept pace with the cost of living or the high cost of energy, eroding its effectiveness over the years in supporting the reduction in the fuel poverty gap[[2]](#footnote-2). We see the expansion of WHD as an interim step in providing better support for vulnerable consumers. Automatic eligibility for those in Scotland to the WHD as well as expansion of eligibility to include those with low incomes, not in receipt of means tested benefits, and including those in receipt of Carer’s allowance, would be a welcome step towards a flexible energy discount mechanism and would have some impact on the fuel poverty gap. We recognise that the WHD, properly developed, could evolve to become a flexible energy discount mechanism, and has the potential to substantially reduce the fuel poverty gap.

1. Ofgem Consultation on Energy Debt Relief and Consumer Protection

In our responses to Ofgem’s consultations on [energy debt relief](https://fuelpovertypanel.scot/our-publications/the-scottish-fuel-poverty-advisory-panel-response-to-ofgems-consultation-on-an-energy-debt-relief-scheme/) and the [future of price protection](https://fuelpovertypanel.scot/our-publications/ofgems-call-for-input-on-the-future-of-price-protection/), we have noted the tactical nature of the suggested measures to fix the problems of spiralling energy debt and inadequate consumer price protection. Focussing on discrete problems alone in the energy supply system will not deliver sustainable warmth for homes. These problems can only be resolved through a fairer approach to energy pricing for those on low incomes, means tested benefits, and/or, whose typical energy usage is high for reasons of health, geography, heating source, or house condition, as set out in point one above. We conclude that a strategic, holistic, and long-term approach to consumer protection is needed in the shape of a flexible energy discount mechanism.

Specific points we made in these consultation responses, included:

**Ofgem’s consultations on** [**energy debt relief**](https://fuelpovertypanel.scot/our-publications/the-scottish-fuel-poverty-advisory-panel-response-to-ofgems-consultation-on-an-energy-debt-relief-scheme/)

* Scottish households are facing unprecedented levels of energy debt, with clients seeking advice from the Citizens Advice network in Scotland in 2023/2024, presenting with an average energy debt of £2,500. This figure rose to £3,130 in accessible/remote rural areas[[3]](#footnote-3).
* Demographic analysis shows that energy indebtedness is highest for vulnerable groups – those with a disability that limits them a lot, households with incomes below £20,000, and those with a child under the age of 5.[[4]](#footnote-4)
* Rising debt levels and high energy bills make it clear that current measures to support vulnerable consumers and low-income families are not working.
* A targeted, flexible and dynamic discount mechanism would prevent the build-up of energy debt.
* Debt relief for those currently in energy debt should support them without materially increasing prices for all customers, which would run the risk of pushing more people into debt.
* The provision of advice is also necessary to mitigate the risk of future debt.

[**Future of price protection**](https://fuelpovertypanel.scot/our-publications/ofgems-call-for-input-on-the-future-of-price-protection/)

* The link between electricity and gas prices fails communities off gas-grid, predominantly rural ones, because the typical domestic consumption values used in calculating the price cap are unrepresentative for those using electric heating as their main heat source.
* The increased drive towards decarbonisation, at a time when electricity prices are so high, raises questions about the affordability of decarbonisation especially for those in fuel poverty.
* It is clear from the fuel poverty rates and the level of energy consumer debt that the existing energy market arrangements and price protection are not working for almost a third of Scotland’s population.
* Warm Home Discount (WHD) is the most far-reaching mechanism for the support of vulnerable households. It currently has limitations in its structuring, funding, and delivery. (Although, as noted above the UK Government’s consultation on expanding the WHD scheme 2025/26, to which we have also [responded](https://fuelpovertypanel.scot/wp-content/uploads/2025/03/DESNZ-WHD-Consultation-SFPAP-Final-Response.pdf), offers an opportunity to reform WHD). Issues with the existing WHD model are that: it has not kept pace with the high cost of energy so its value is insufficient, it is not tapered in a way that is equitable for those who have to pay more to heat their homes, and its funding, through electricity bill levy, is regressive.
* Our view is that in the short term, prior to the introduction of a targeted, flexible, and dynamic discount mechanism, winter fuel payments – Winter Heat Payment, Pension Age Winter Heating Payment and WHD – should be consolidated. As this cuts across both UK and Scottish Government competence, collaborative working would be required. The eligibility criteria should also be rationalised, so that where this is not already the case, the funds should be targeted at vulnerable and low-income consumers.
1. Principles and Recommendations on Fuel Poverty Funding

Our work to look at funding to support those in fuel poverty crisis, through short-term relief or longer-term energy efficiency measures, show that there is much that could be done to improve the effectiveness of funding models. Some of the funds we looked at are Scotland-specific but there are several which are UK-wide, either funded or administered by the UK Government, Ofgem, DWP or energy companies. We [concluded](https://fuelpovertypanel.scot/our-publications/principles-and-recommendations-on-the-fuel-poverty-funding-landscape-in-scotland/), among other things, that there is a need for better targeting of fuel poverty funding across crisis funding, energy efficiency funds, and winter support schemes, and that the scope certainly exists to do this. We made [ten recommendations](https://fuelpovertypanel.scot/wp-content/uploads/2024/11/Scottish-Fuel-Poverty-Advisory-Panel-principles-and-recommendations-on-the-fuel-poverty-funding-landscape-in-Scotland-.pdf) to the Scottish Government on fuel poverty funding, some of which intersect with policy changes we have already recommended. Our findings and principles are relevant across GB, and we share them here:

Specific points we made, included:

**Findings**

1. The funding landscape is overly complex and can be difficult to access - eligibility for schemes is not always clear.
2. Crisis funding has deep value and is a lifeline to people when they need it most. There is a need for better targeting of fuel poverty funding across crisis funding, energy efficiency funds, and winter support schemes.
3. Energy efficiency schemes often operate in isolation. Previously, Area Based Schemes (ABS) [Scotland] and Energy Company Obligation [GB] funding could be blended. This is no longer the case, and there is a lack of flexibility to combine and share funding across energy efficiency schemes. This can lead to schemes competing with each other which undermines value for money and optimal impact.
4. Funding windows for organisations are too short and do not allow for sufficient and sustainable services or securing best value for money and may restrict expenditure, impacting supply chain alignment with the funding windows.
5. Consumer protections are often linked to customer contributions, meaning that if a customer receives energy efficiency measures through a grant, they may not receive consumer protections. This can leave them vulnerable if interventions fail or are not provided to an adequate standard.

**Funding Principles and Recommendations**

1. Funding to tackle fuel poverty should work flexibly and holistically to best meet household and area needs, avoiding a one-size-fits-all or fixed approach.
2. Non-crisis funding should be structured to tackle fuel poverty in the long term with clear targets and milestones set.
3. It is critical that funding interventions should be available to tackle the immediate impacts of fuel poverty.
4. Consolidation and alignment of funding streams would improve outcomes and achieve better value for money.
5. Funding to individual households for energy efficiency improvements and financial support should be as progressive as possible, target the most vulnerable households, and incentivise uptake.
6. Application design should encourage access to funding and be informed by the lived experience of users and the experience of organisations.
7. Public funds should be robustly evaluated using a common monitoring and evaluation framework, proportionate to spending on delivery, and with a published output.
8. Energy Market Reform

Your consultation notes the transition to net zero and the reform this is driving to the energy market, as a challenge in supporting those suffering fuel poverty. As the energy market restructures to one supplied predominantly through renewables and away from fossil fuels, there is a real opportunity to achieve lower and less volatile energy prices, if accompanied by fair energy pricing and supportive policy choices. There is a key question to be answered around how this transition can tackle fuel poverty head-on, rather than solely avoiding detriment, although avoiding detriment is vital too. In addition to effective support for vulnerable consumers, this requires strong policy alignment to ensure that low carbon heating systems can provide thermal comfort at an affordable installation and running cost. There is also the potential future detriment for those in (or vulnerable to fuel poverty) on the gas-grid, as the transition away from gas to electric heating gains momentum. There is a risk that those still on the gas-grid could bear a disproportionate burden of the policy costs, just as is currently the case for those with electric heating systems.

The careful rebalancing of gas and electricity prices is needed to address current, and avoid future, inequity. Ensuring that fuel poverty mitigation features as a measurable objective within wider net zero policies will help to facilitate a just transition. Net zero is a challenge for the Scottish and the UK Governments but the UK Government does hold the levers on energy market reform and energy pricing which has an impact on the capacity of the Scottish Government in their aim to deliver a just transition.

At the heart of all these complex policy challenges are those in fuel poverty. We note your question on whether to introduce an affordability factor to sit alongside the official LILEE measure for fuel poverty in England and can offer some reflections from working with the Scottish fuel poverty definition. The Scottish fuel poverty metrics do include an affordability measure – a household is in fuel poverty if after paying for its housing costs it needs more than 10% of its remaining income to pay for its energy needs, and if after paying for its energy the household is left in poverty (as defined by the Minimum Income Standard). We have recently been [investigating rural and remote fuel poverty](https://fuelpovertypanel.scot/blog/rural-and-remote-fuel-poverty/) in Scotland and have heard how using the first part of the fuel poverty measure for Scotland (a household is in fuel poverty if after paying for its housing costs it needs more than 10% of its remaining income to pay for its energy needs) over 80%[[5]](#footnote-5) of households in the Western Isles fall into this category. Applying both fuel poverty measures - income and housing energy needs - gives a figure, for the Western Isles, of 57%[[6]](#footnote-6) of households suffering fuel poverty.

These two figures – 80% and 57% of households - shine a stark light on the challenge which many communities in Scotland face in the struggle to heat their homes and why a flexible energy discount mechanism is needed as well as energy efficiency improvements and equitable energy pricing. It is why it is imperative that Scotland’s needs are considered within consumer protection and market energy reform.

In conclusion, we hope that the thinking we have offered on a flexible energy discount mechanism, the need for energy market reform to have the alleviation of current and prevent future fuel poverty as a core objective, and changes to fuel poverty funding models will be helpful. The Scottish and UK Governments have separate Fuel Poverty Strategies to enable and bring focus to their fuel poverty policy delivery. However, a collaborative framework for effective responses to fuel poverty is also a prerequisite to achieve enduring change for those in, and at risk of, fuel poverty.

We would be very happy to meet with you to discuss the issues we have set out further.

Kind Regards,

Matthew Cole (Chairing Member)

Margaret Corrigan (Member)

Dr Kirsten Jenkins (Member)

Alister Steele (Member)

Dr Fraser Stewart (Member)

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1. Scottish House Condition Survey (2025) [Scottish House Condition Survey: 2023 Key Findings - gov.scot](https://www.gov.scot/publications/scottish-house-condition-survey-2023-key-findings/pages/3-fuel-poverty/). [↑](#footnote-ref-1)
2. The [Scottish House Condition Survey (2025) Scottish House Condition Survey: 2023 Key Findings - gov.scot](https://www.gov.scot/publications/scottish-house-condition-survey-2023-key-findings/), found that the median fuel poverty gap in Scotland in 2023 was £1,250, whereas the WHD, which will know will not have reached all those in fuel poverty, was £150. [↑](#footnote-ref-2)
3. [Why we need an energy debt relief scheme | Citizens Advice Scotland](https://www.cas.org.uk/news-and-events/why-we-need-energy-debt-relief-scheme) [↑](#footnote-ref-3)
4. [Insights from latest Energy Affordability Tracker: Causes and impact of energy debt (HTML) |](https://consumer.scot/publications/insights-from-latest-energy-affordability-tracker-causes-and-impact-of-energy-debt-html/#section4) [↑](#footnote-ref-4)
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6. Changeworks (2024) [A-Perfect-Storm-Fuel-Poverty-in-Rural-Scotland.pdf (changeworks.org.uk)](https://www.changeworks.org.uk/wp-content/uploads/2023/09/A-Perfect-Storm-Fuel-Poverty-in-Rural-Scotland.pdf) [↑](#footnote-ref-6)