

Consultation Response

Technical proposals for the Energy Bills Support Scheme

Department for Business, Energy, and Industrial Strategy.

May 2022.

Contact: david.southgate@ageuk.org.uk

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Age UK
7th Floor, One America Square
17 Crosswall
London
EC3N 2LB
T 0800 169 87 87 F 020 3033 1000
E policy@ageuk.org.uk
www.ageuk.org.uk

Age UK is a charitable company limited by guarantee and registered in England (registered charity number 1128267 and registered company number 6825798). The registered address is 7th Floor, One America Square, 17 Crosswall, London, EC3N 2LB

About this consultation

In February 2022 the Government announced a package of support to help consumers with their energy bills which included the Energy Bills Support Scheme (EBSS). The EBSS consists of a £200 reduction in electricity bills for all domestic customers in Britain¹ to be delivered through suppliers from October. The reduction will be recovered through electricity bills over the following 5 years, beginning in 2023-2024. The Department for Business, Energy & Industrial Strategy (BEIS) have launched this consultation to collect views on the composition, eligibility, and delivery of the Scheme.

Key points and recommendations

- Age UK is concerned that the Energy Bills Support Scheme (EBSS) fails to address the scale of consumer need, presents barriers to access and lacks the targeted support needed to help the most vulnerable households.
- The Government must rethink its strategy and commit to raise the level of benefits and the State Pension during this financial year, so they keep pace with inflation.
- Targeted rebate payments designed to fully mitigate price increases for households on the lowest incomes should also be provided, with no repayment levy.
- BEIS must include exemptions from the EBSS repayment levy for prepayment meter (PPM) customers, fuel poor households and those on the lowest incomes.
- Consumers must be allowed to opt-out of the EBSS, and BEIS must ensure suppliers provide an accessible opt-out mechanism.
- BEIS and Ofgem must prevent suppliers from recouping the £200 energy bill reduction if a household was unable to access the Scheme.
- Households without a domestic electricity supply contract, such as park homes, should be able to access the EBSS or a suitable alternative.
- BEIS must ensure legacy PPM customers are aware of the EBSS, that vouchers are successfully delivered and that consumers feel able to redeem them.
- BEIS should set a default position that the £200 reduction would be ringfenced for future energy costs instead of previous debt or arrears.

About Age UK

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances. In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and

campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high quality health and care; are comfortable, safe and secure at home; and feel valued and able to participate.

Introduction

Age UK welcomes the opportunity to reply to this consultation². Our response outlines our view on how best to deliver the Energy Bills Support Scheme (EBSS) for consumers. However, we wish to highlight fundamental flaws in the Government's overall proposal. The EBSS fails to address the scale of consumer need, presents barriers to access and lacks targeted support for the most vulnerable households. Since late last year we have been campaigning³ for comprehensive support to protect lower income older households from the spiralling cost of living. The EBSS represents a missed opportunity to provide this support.

EBSS payments amount to a maximum £200 reduction off energy bills. Estimates suggest that by 1st October energy bills will have doubled compared with the same time last year, with annual bills rising to around £2,600 for the typical customer⁴. £200 is simply not enough to meet this scale of need. This £200 also comes with a repayment levy – meaning it will have to be repaid to the Government through consumer bills over subsequent years. This will increase annual customer charges by £40 per year from 2023 to 2028. Industry analysts predict that annual energy bills for the typical consumer will remain above £2,000 well into 2024⁵ and longer-term trends suggest even by 2030 it is unlikely we will see prices fall to pre-2021 levels⁶. Higher prices are here to stay, so the EBSS reduction is merely kicking costs into the long grass rather than providing meaningful help to struggling consumers.

The Department for Business, Energy, and Industrial Strategy (BEIS) estimate that delivering a £200 reduction to all 29 million electricity meter points in Britain will initially cost £5.8 billion⁷. This untargeted approach represents a significant upfront cost while saddling consumers with indirect energy debt for years to come. Targeted support, without a repayment levy, would come with cheaper upfront costs and be more effective in alleviating fuel poverty. For example, we estimate that exempting all fuel poor households in England from the EBSS repayment levy would cost around £632 million⁸.

BEIS must also include exemptions from the repayment levy for prepayment meter (PPM) customers. PPM customers are some of the most vulnerable in the energy market. They face substantially higher fuel poverty rates than credit or direct debit customers⁹. As outlined in our response to question 11 the EBSS will result in those relying on a legacy PPM being significantly disadvantaged, which risks alienating some of the most vulnerable consumers in the energy market. Exempting all PPM customers from the repayment levy

would cost around £524 million¹⁰. Because of significant overlap between fuel poverty and PPM usage, an exemption covering all fuel poor and PPM customers combined would cost around £995 million¹¹.

Following consultation with our local Age UK network partners and other stakeholders, many older people have expressed a view that they should be able to opt out of the EBSS. They were concerned about being forced to make repayments over subsequent years, and that doing this would impact on their finances and their health. To address this, BEIS must implement an opt-out mechanism as a core component of the EBSS. This could be distributed prior to the qualifying date on 3rd October with suppliers offering a variety of formats to opt-out. This must include offline options including postal letters and a telephone service.

Overall, the EBSS falls far short of what is needed to address the cost-of-living crisis facing older consumers. Age UK analysis¹² shows that 2 million older households¹³ will have insufficient income to cover their essential spending this year¹⁴. To address this crisis the Government must rethink its strategy and commit to immediately raise the level of benefits and the State Pension during this financial year, so they keep pace with inflation. Targeted rebate payments designed to fully mitigate price increases for households on the lowest incomes, with no repayment levy, should also be provided. These measures will help to avert a worsening cost-of-living crisis for older people on low and modest incomes.

Consultation questions

1. a. Do you agree with our approach to how we have considered customer eligibility to the scheme? Yes/No. b. Are there any other household living arrangements we should consider? Yes/No. Please provide any reasoning to support your response.

Current proposals for the Energy Bills Support Scheme (EBSS) mean that it will be linked to domestic electricity meter points instead of customer accounts. In principle, this will allow for maximal distribution of funds and ease of access. But in practice, this could exclude certain households from accessing the Scheme. It also means that the £200 reduction and the obligation to repay it remains with the property rather than the customer. The Government must work with suppliers to ensure that only people who received the reduction are required to pay it back.

Age UK agrees that customer eligibility should be maximised and that the proposed approach will ensure rapid distribution of funds across the majority of households. We also agree that focusing on electricity meters, rather than gas, is a sensible approach and will broaden the reach of the Scheme. Around 3.3 million English households lack a gas network connection, with fuel poor homes off the gas grid enduring a much higher and

deeper level of fuel poverty than those with a gas connection¹⁵. Targeting support towards those with a gas meter would exclude many of the most vulnerable fuel poor households.

Nonetheless, there are potential gaps in provision which BEIS will need to address. Several of these gaps pose a particular risk for older households and need to be resolved to ensure they are not excluded from the Scheme and that the Government complies with its Public Sector Equality Duty.

Some households, such as park home residents, do not have a domestic electricity supply contract because their landlord or site owner operate a commercial contract with a supplier. This will exclude park home residents from the Scheme. There are around 85,000 park home households in England and residents are more likely to be aged 60 or older¹⁶. BEIS must ensure that households without a domestic electricity supply contract are included in the EBSS or that a suitable alternative is provided. BEIS could adopt best practice from the Park Homes Warm Home Discount scheme to establish an EBSS equivalent. But better implementation will be required to ensure that all park home residents are able to access support without an application process. BEIS will also need to monitor gaming risks to ensure that any park home energy price reduction is passed onto residents and not absorbed by landlords or site owners.

Housing-with-care, housing-with-support and care home residents paying for their energy via a service charge or direct to their landlord could also face barriers to accessing the EBSS. While Maximum Resale Price rules may provide protection in some cases this will be subject to the specific circumstances of each residence, leading to potential gaps in provision.

Likewise, the Government will need to address any similar barriers faced by district heating system (DHS) users. Many households rely on electric DHS. In some cases, these systems are delivered to residential properties but are underpinned by a commercial supply contract which may not be eligible for EBSS funding.

2. a. Do you agree with the proposed qualifying date, provisionally set at 23:59 GMT on 3 October 2022? Yes/No. b. Given this qualifying date, do you agree with the associated processes linked to it, as set out in the section titled ‘Delivering the bill reduction to eligible customers’? Yes/No. Please provide any reasoning to support your response.

BEIS have proposed a qualifying date and time to determine which supplier is responsible for delivering the £200 reduction. This is designed to provide clarity and to minimise factors which could inhibit delivery (e.g. where a customer switches supplier around the date that the reduction is provided).

Suppliers would be obliged to provide the reduction within at least six weeks of the agreed date unless exceptional circumstances make delivery impractical. Direct debit customers can receive the reduction via credit on their account soon after the qualifying date, credit customers should receive the reduction on their next bill and meter credit will be used to

deliver the £200 to smart prepay customers. Prepayment customers using traditional or legacy meters will receive vouchers or Special Action Measures (SAMs) to redeem after the qualifying date. We discuss the issues this presents for legacy prepay customers in response to question 11.

Age UK agree with the proposed qualifying date of 3 October 2022 at 23:59. This date and the six-week window for ensuring delivery will mean that the majority of accounts should be credited in mid-November before the colder months set in. However, BEIS have allowed for exceptions to the six-week window in cases where delivery 'is not reasonably practicable', allowing until 31st of March 2023 for 'hard-to-reach customers'¹⁷. We outline the issues this could present for older consumers in response to question 3.

3. Do you agree with proposals that suppliers should provide all eligible customers that they serve on the qualifying date with the reduction as quickly as possible and within six weeks, and by no later than 31 March 2023 for hard-to-reach customers? Yes/No. Please provide any reasoning to support your response.

Age UK agrees that suppliers should be compelled to provide the £200 bill reduction as close to the qualifying date as possible. We would also encourage BEIS to consider reducing the six-week window for delivering the reduction as much as is practical.

BEIS should also be more ambitious, setting a target of ensuring all hard-to-reach households receive the £200 reduction before December. Hard-to-reach customers could encompass a wide range of factors in the energy market, ranging from those who are digitally excluded to people relying on older legacy prepayment meters (PPMs) to pay for their energy. In our experience hard-to-reach customers are more likely to be in vulnerable circumstances. Older people are likely to make up a high proportion of hard-to-reach households, particularly given their increased rates of digital exclusion¹⁸ and health conditions which require more heating or energy use¹⁹. The backstop date of 31st of March could compound vulnerabilities for older consumers if they miss out on the EBSS during the winter.

BEIS must ensure that it works with Ofgem and suppliers to identify hard-to-reach customers who may miss out on the bill reduction long in advance of the qualifying date. This is essential to facilitating access for these customers before the winter. Age UK view the proposed backstop date of 31st of March as far too late for many hard-to-reach consumers in need of support during the colder months. BEIS should set a target of ensuring all hard-to-reach households receive the £200 reduction before the colder months set in.

4. Suppliers will need to notify their customers in writing once the Scheme reduction has been applied to their account. How could this process be made as effective as possible, while limiting administrative burdens? Please provide any reasoning to support your response.

Older people face higher rates of digital exclusion²⁰. This means that suppliers who predominantly use online communication channels disproportionately exclude their older consumers. When informing customers that the EBSS reduction has been applied, suppliers must ensure that they offer written notice in a variety of formats, including postal letters. BEIS also needs to consider wider consumer communication requirements, for example where there is a language barrier or a consumer has a relevant disability or long-term health condition (e.g. a visual impairment).

6. Do you agree with the proposals to spread the benefit for Direct Debit customers over six months? Yes/No. Please provide any reasoning to support your response.

Age UK agrees with this approach as it should encourage consumers to leave their heating on over the winter rather than expending the £200 reduction in the first month of the Scheme. Where possible we encourage the reprofiling of direct debit levels to also channel greater support to consumers during the coldest months of this period. BEIS should also spread the benefit for credit and PPM customers and investigate methods of implementing this effectively.

7. Do you agree with the proposal for pay-on-receipt customers to feel the benefit of this Scheme in their next bill after the qualifying date? Yes/No. Please provide any reasoning to support your response.

We agree with this approach. As stated in response to question six we would also encourage BEIS to investigate methods of spreading the benefit of the reduction over a longer period for credit customers.

8. Do you agree with the proposal for payment card customers to receive the full amount on their next quarterly bill after the qualifying date? Yes/No. Please provide any reasoning to support your response.

We agree with this approach but encourage flexibility. See our response to question 9 for further details.

9. Are you aware of any reasons why payment card customers might need to receive the reduction across more than one bill? Yes/No. Please provide any reasoning to support your response

Payment card customers often receive quarterly rather than monthly bills. Based on differential billing dates customers paying quarterly may face significant disparities in benefits from the EBSS. For example, some older consumers may receive their bill with the £200 reduction soon after the qualifying date, but they will then inevitably face an un-

subsidised bill in January. This could result in them feeling reassured of heating their home over the autumn but less confident over the winter months when temperatures drop²¹.

For lower income older households, Government support during colder months is crucial as older people are more likely to live with health conditions which require additional heating²². As discussed in response to question six the Government should implement a mechanism for ensuring the £200 reduction is, where possible, spread over a longer period to better support consumers during the winter months.

Age UK recognises the challenge of delivering this for quarterly payment card customers but encourages BEIS to investigate the options. For example, payment card customers could be given the choice of delaying the £200 reduction until their second bill after the qualifying date or spreading the reduction across two bills instead of one.

10. Do you agree with the proposal for customers with smart prepayment meters to have the full amount credited to their meters as soon as possible after the qualifying date, where feasible? Yes/No. Please provide any reasoning to support your response.

We agree with this approach but encourage BEIS to replicate proposals for direct debit customers, spreading the £200 reduction over a longer period and focusing support during the winter months where possible.

11. Do you agree with the proposal for the £200 to be issued via vouchers and/or SAMs to traditional prepayment meter customers? Yes/No. Please provide any reasoning to support your response.

The major stumbling block to delivery of the EBSS will be successful distribution to users of traditional, or legacy, prepayment meters. Roughly half of all PPMs are legacy meters²³, representing around 7% of the domestic electricity market.²⁴ PPM customers are often the most vulnerable in the energy market and Age UK has serious reservations about BEIS's proposals for delivering the Scheme to this group. Our concern is that some of the poorest energy customers end up excluded from the EBSS but are then still charged the repayment levy – missing out on what little support the Scheme may provide while being hit with unfair additional charges. This would represent an appalling injustice.

Almost one-in-ten (9%) older households in the UK, or around 1 million, use a PPM to pay for their energy use²⁵. While the precise number of these households using legacy, rather than smart, PPMs is not known we can surmise from the overall figures²⁶ that perhaps as many as 500,000 older households are on a traditional PPM. PPM users face substantially higher fuel poverty rates than credit or direct debit customers²⁷ meaning that homes reliant on a legacy PPM contain some of the most vulnerable people in the energy market.

Previous attempts to deliver vouchers or SAMs to PPM customers have had mixed results. The Government Electricity Rebate (GER) scheme delivered an annual £12 rebate to

electricity customers between 2014 – 2016²⁸. Ofgem’s final report on the Scheme suggested that up to 30% of PPM customers did not access their vouchers²⁹. The need for active consumer involvement to redeem the vouchers was attributed as the cause for this reduced level of access³⁰.

Present plans for delivering the EBSS to legacy PPM users will likely result in substantial gaps in provision because customer action will be required. The present proposal is that after the qualifying date legacy PPM customers will receive vouchers or Special Action Measures (SAMs) to redeem. Due to a top-up cap of £49, BEIS has proposed delivering five separate vouchers of £40 close to the qualifying date. SAMs will be delivered via text, email or post.

This presents two major barriers. The first is engagement with the EBSS. Physical vouchers need to be redeemed which requires consumers to be notified and aware of the Scheme, receive the vouchers and be able to redeem them. The second is digital exclusion. Older people are more likely to be digitally excluded³¹ which means they may face barriers to accessing vouchers via text or email.

BEIS will need to ensure legacy PPM customers are aware of the Scheme, that the vouchers are successfully delivered and that consumers are able to redeem them. Suppliers, BEIS and Ofgem must ensure that they offer a variety of formats to deliver the vouchers and instructions for redeeming them. This must include offline methods, including postal letters. BEIS must also ensure that suppliers consider wider consumer communication and access requirements, for example where there is a language barrier or a consumer has a relevant disability or long-term health condition (e.g. a visual impairment). Ultimately, BEIS should be accountable for ensuring that harder-to-reach PPM customers are accessing their entitlement.

One solution would be to expedite the installation of smart prepay meters in the build up to the EBSS. Research from National Energy Action (NEA) has reinforced the benefits smart PPMs can provide for consumers³². But older people have historically been amongst the least likely to feel that the In-Home-Displays (IHDs) on smart meters are easy to interact with³³ and often report anxiety regarding IHDs. It is therefore crucial that BEIS ensure a tailored flexible approach. Installers and engineers should be provided with training to identify vulnerability and establishing the precise nature of customer needs through conversation guides and scripts³⁴. It is also critical that any smart meter advice provided by suppliers is reviewed to ensure it does not pressurise consumers to take-up a smart meter, particularly if a consumer is vulnerable and more likely to suffer confusion or anxiety as a result³⁵. While expediting the PPM smart meter rollout may improve delivery of the EBSS it is crucial to ensure older consumers can still refuse installation.

BEIS will also need to ensure suppliers provide bespoke customer support and re-prompt households to redeem their vouchers or SAMs as the Scheme progresses. Some consumers will either be unable to redeem the vouchers or remain unaware of the Scheme. Follow up prompts will be essential through the winter and towards the proposed

final validity date of 31 March. Suppliers must also ensure they have dedicated support to assist consumers facing barriers to redeeming their £200 reduction.

Age UK is seriously concerned that people who receive their EBSS vouchers or SAMs but are unable to redeem them may still be asked to repay the £200. It is essential that BEIS and Ofgem prevent suppliers from recouping the £200 if a household was unable to access the Scheme. BEIS must also provide more effective ways of ensuring access to the EBSS for legacy PPM customers. We encourage BEIS to investigate ways of spreading the £200 reduction over a longer period for legacy PPM customers and focusing support during the winter months where possible.

The Government should also include exemptions from the repayment levy for prepayment meter (PPM) customers. Exempting all PPM customers from the repayment levy would cost around £524 million³⁶.

12. For traditional prepayment meter customers, do you agree with the proposal that vouchers and/or SAMs should be valid until 31 March 2023, in line with the date for reconciling grants provided vs grants delivered? Yes/No. Please provide any reasoning to support your response.

As outlined in response to question 11, legacy PPM customers will face barriers to accessing EBSS vouchers and SAMs. These barriers could delay or prevent some of the most vulnerable older consumers in the energy market from accessing the Scheme. BEIS should ensure that the window for redeeming the vouchers and SAMs is as wide as possible, allowing vulnerable consumers sufficient time to access the Scheme. We encourage BEIS to monitor access and extend the validity date if required to support full take-up of the Scheme.

14. Do you agree that traditional prepayment customers should be able to use vouchers for both electricity and gas (dual fuel vouchers)? Yes/No. Please provide any reasoning to support your response.

We agree with this approach.

15. Do you agree with the proposal for how to cost-effectively encourage traditional prepayment customers to redeem the Scheme vouchers/SAMs? Yes/No. Please provide any reasoning to support your response

We agree with the use of targeted campaigns and messaging to encourage legacy PPM customers to redeem their vouchers. The campaign should be promoted through a broad range of online and offline sources, including print media, mail drops, and community and voluntary organisations. BEIS should monitor progress of the Scheme and undertake further waves of promotion during the winter months. BEIS will also need to ensure

suppliers provide dedicated support to assist consumers facing barriers to redeeming their vouchers or SAMs. BEIS should also go further and work with suppliers to check if PPM customers have redeemed their vouchers and take every practicable step to ensure that people are accessing the support on offer.

16. a. Are you aware of any consumer groups who will not be reached by applying the reduction to electricity accounts? Yes/No. b. Please provide details of which group(s), why they will not be reached and how you would suggest we reach them? Please provide any reasoning to support your response.

Age UK reinforces the barriers park home, housing-with-care, housing-with-support and care home residents could face to accessing the EBSS. District heating system (DHS) users may face similar issues. See our response to question 1 for further details.

17. Do you agree with the proposed approach to providing the grant to customers with different forms of energy debt? Yes/No. Please provide any reasoning to support your response.

The core purpose of the EBSS is to support struggling households with their energy bills, encouraging them to use their heating during colder periods. We are concerned that if the £200 bill reduction is automatically applied to arrears or debt then vulnerable households will not feel the full benefit of the Scheme.

We encourage BEIS to apply a flexible approach, allowing consumers to decide if they use the funding to pay off debt or to support their immediate energy needs. Age UK recognises that this would add complexity to the Scheme. Depending on how it is implemented it may also inhibit automatic receipt of EBSS support.

To avoid this, BEIS could set a default position that the £200 reduction would be ringfenced for future energy costs instead of previous debt or arrears. Suppliers could then be mandated to issue an opt-in prompt for those who actively want £200 off their debt or arrears. Consumers in debt could be prompted before the qualifying date on October 3rd, alongside any supplier information provided about the Scheme. If they do not opt-in before the qualifying date then the £200 would follow the default position and remain ringfenced for future energy costs instead of previous debts.

We strongly support BEIS's proposal to prevent suppliers using the EBSS to pay off bad debt. It is essential suppliers do not use the Scheme to recoup debts which otherwise would have been written off. BEIS should make this a mandatory condition of the Scheme.

21. Do you agree with the proposal that suppliers should be required to report on delivery of the funds after the six-week period and the associated reconciliation process? Yes/No. Please provide any reasoning to support your response.

We agree with this approach. BEIS must also ensure suppliers report on how many hard-to-reach customers they have failed to provide EBSS reductions to after the initial six week reporting window. This will allow BEIS to monitor access. This reporting must include household age breakdowns to assess how many homes containing someone aged 60+ are missing out on support from the Scheme.

22. Do you agree that applying the levy on a per meter basis would be the simplest approach to deliver and would impose the least administrative costs on the sector? Yes/No. Please provide any reasoning to support your response.

Age UK shares the view, reflected in BEIS's stakeholder engagement workshops, that recouping the costs through the proposed repayment levy will result in PPM and fuel poor households self-rationing their energy use to a greater extent from 2023/24. BEIS must exempt fuel poor and PPM households from the repayment levy. Age UK estimates that exempting all fuel poor households in England would cost £632 million, while adding PPM customers would bring the total to £995 million³⁷.

We would also encourage BEIS to extend this exemption to all low-income households. With energy bills for the typical customer expected to rise to £2,600 from October³⁸ this would better reflect the higher costs of energy expected over the autumn and the lack of additional targeted support.

We recognise that the administrative burden of exempting certain households from the levy risks slowing down distribution of the EBSS. We propose that rather than identifying households with a levy exemption prior to Scheme delivery BEIS should aim to determine which homes are eligible prior to the first levy instalment being deducted from customers' bills in 2023/24. This will give BEIS, Ofgem and suppliers substantial time to put in place an appropriate levy exemption mechanism.

33. Do you agree with the proposal that the Payment Body may report and publish information on non-compliance and enforcement action? Yes/No. Please provide any reasoning to support your response.

The Government's proposal is for a separate Payment Body to be able to report publicly if suppliers are failing to repay EBSS levy costs or are failing to comply with other components of the Scheme. Age UK agrees with this approach and encourages transparency regarding reporting and enforcement.

In December, Citizens Advice provided evidence that customer credit balances had been inappropriately used to finance supplier operations in some cases³⁹. To avoid similar issues for the EBSS, Ofgem must use its data request powers to maintain oversight of how suppliers are using customer levy payments. This will mitigate gaming risks and reduce the likelihood of public funds being lost.

The regulator must also be more proactive in addressing non-compliance. Age UK has recently submitted select committee evidence⁴⁰ highlighting the impact ineffective regulation, inadequate enforcement, and inappropriate standards for market entry had on exacerbating the energy price crisis. Ofgem must be more dynamic in enforcing its rules, ensuring supplier compliance with EBSS regulations.

35. For the transfer of grants to suppliers, do you agree that the proposed reporting requirements strike the right balance between having the ability to effectively monitor delivery of the Scheme whilst imposing the least reporting burden on suppliers? Yes/No. Please provide any reasoning to support your response.

We agree with this approach at the point of transferring the grants to suppliers. We encourage BEIS to include two additional reporting requirements at the end of the agreed payment period, subject to these requirements not increasing the delivery cost of the Scheme. These are: firstly, whether a household contains at least one-person aged 60+; and secondly, a measure of vulnerability (e.g. Priority Service Register status of the household). This will ensure oversight of any differential outcomes for specific consumer groups.

36. Do you agree that these reporting requirements should be set out in the Ministerial direction? Yes/No. Please provide any reasoning to support your Response

We agree with this approach.

39. a. Do you agree with the additional costs set out in table 3? Yes/No. b. Are there any other costs of administrating the Scheme we should consider? Yes/No. Please provide any reasoning to support your response.

BEIS should include the costs associated with promotion of the EBSS, including targeted campaigns and messaging to encourage legacy PPM customers to redeem their vouchers. BEIS should reinforce that suppliers with a significant PPM customer base (e.g. Utilita) will need to invest in additional customer service provision to assist consumers facing barriers to accessing the Scheme.

45. Do you agree with our assessment on how energy suppliers and network operators would expect to recover any additional administrative costs due to the Scheme? Yes/No. Please provide any reasoning to support your response.

EBSS administrative costs will fall on suppliers. BEIS has proposed that suppliers would be able to recover these costs from consumer bills, with them included in future price cap

calculations. BEIS considered directly covering the cost of administering the Scheme but deemed that this would disincentivise suppliers from cost effective delivery.

Figures for the administrative cost to consumers are difficult to estimate. As the closest comparator, industry costs for the GER scheme were estimated at between £18 – £28 million in today's prices⁴¹. Assuming a similar cost for Britain's 29 million electricity meter points⁴² then less than £1 would be passed onto each for admin costs. However, in practice the expenses of the Scheme may be far greater and the cost for delivering to certain customer groups could also be higher.

Allowing suppliers to recover the administrative cost of the Scheme from consumer bills could come at the expense of fairness for vulnerable consumers. For example, suppliers may fail to invest in sufficient customer support to assist legacy PPM customers struggling to access the Scheme. Legacy PPMs will also entail a greater administrative cost to suppliers which could result in them being charged higher admin fees. With these customers being some of the most vulnerable in the energy market the Government must ensure that cost recovery for the EBSS does not disadvantage them.

BEIS will also need to consider the compatibility of its proposals with fixed tariff deals. These contracts could cover up to three years at a fixed rate. It remains unclear how BEIS proposes increasing these tariff costs to cover EBSS levy and administrative expenses.

¹ Britain includes England, Scotland and Wales. The Government has committed to put alternative arrangements in place for Northern Ireland through the Barnett formula.

² BEIS, 2022. Energy Bills Support Scheme Managing the impact of the energy price shock on consumer bills. Department for Business, Energy, and Industrial Strategy. [Online]. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1068148/energy-bills-support-scheme-consultation.pdf. [Accessed 04/05/22].

³ Age UK, 2022. It Doesn't Add Up. Age UK. [Online]. Available at: <https://www.ageuk.org.uk/our-impact/campaigning/it-doesnt-add-up/>. [Accessed 16/05/22].

⁴ Cornwall Insight, 2022. Cornwall Insight releases latest Winter price cap predictions as Summer 2022 cap introduced. Cornwall Insight. [Online]. Available at: <https://www.cornwall-insight.com/press/cornwall-insight-releases-latest-winter-price-cap-predictions-as-summer-2022-cap-introduced/>. [Accessed 16/05/22].

⁵ Cornwall Insight, 2022. Hopes fade for a significant price cap drop in 2023 and 2024. Cornwall Insight. [Online]. Available at: <https://www.cornwall-insight.com/press/hopes-fade-for-a-significant-price-cap-drop-in-2023-and-2024/>. [Accessed 22/05/22].

⁶ Cornwall Insight, 2022. Energy prices to remain significantly above average up to 2030 and beyond. Cornwall Insight. [Online]. Available at: <https://www.cornwall-insight.com/press/energy-prices-to-remain-significantly-above-average-up-to-2030-and-beyond/>. [Accessed 22/05/22].

⁷ BEIS, 2022. Energy Bills Support Scheme Managing the impact of the energy price shock on consumer bills. Department for Business, Energy, and Industrial Strategy. [Online]. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1068148/energy-bills-support-scheme-consultation.pdf. [Accessed 04/05/22]. Pg48.

⁸ Age UK analysis of the 2022 fuel poverty statistics. The figures for prepayment meter costs relate to electricity prepayment meter customers only. BEIS, 2022. Annual Fuel Poverty Statistics in England, 2022 (2020 data). Department for Business, Energy and Industrial Strategy. [Online]. Available at: <https://www.gov.uk/government/statistics/fuel-poverty-detailed-tables-2022>. [Accessed 04/04/22]. Table 1.

⁹ BEIS, 2022. Fuel poverty statistics. Department for Business, Energy, & Industrial Strategy. [Online]. Available at: <https://www.gov.uk/government/statistics/fuel-poverty-detailed-tables-2022>. [Accessed 06/05/22].

¹⁰ Age UK analysis of the 2022 fuel poverty statistics. The figures for prepayment meter costs relate to electricity prepayment meter customers only. BEIS, 2022. Annual Fuel Poverty Statistics in England, 2022 (2020 data). Department for Business, Energy and Industrial Strategy. [Online]. Available at: <https://www.gov.uk/government/statistics/fuel-poverty-detailed-tables-2022>. [Accessed 04/04/22]. Table 33.

¹¹ Age UK analysis of the 2022 fuel poverty statistics. The figures for prepayment meter costs relate to electricity prepayment meter customers only. BEIS, 2022. Annual Fuel Poverty Statistics in England, 2022 (2020 data). Department for Business, Energy and Industrial Strategy. [Online]. Available at: <https://www.gov.uk/government/statistics/fuel-poverty-detailed-tables-2022>. [Accessed 04/04/22]. Table 1 and table 33.

¹² Age UK analysis of Living Cost & Food Survey 2019-20. Figures projected to 2022. Spending patterns are assumed to be the same as those in 2019-20. Prices of items are changed in line with ONS inflation output figures for the years to 2021-22, and then by 9-10% to the year 2022-23 for all items except for energy that are increased by the rise in the energy price cap of 54% in April 2022 and an assumed rise of 40% in October 2022. Household income are changed in line with output data (to 2021-22) and then forecast figures (to 2021-22) and then 3.1% for households whose main source of income is benefits and 4.42% for other households (to 2022-23).

¹³ Older households are defined as households with at least one person aged 60 or over.

¹⁴ 2022-23.

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- ²¹ This will be less of a concern for monthly credit or direct debit customers, as the touchpoints with their supplier are more frequent or direct allowing for greater flexibility in distributing the reduction.
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- ²⁶ For all age groups, estimates suggest roughly half of all PPMs are legacy meters.
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