



3rd Floor North
200 Aldersgate Street
London EC1A 4HD
Tel: 03000 231 231
citizensadvice.org.uk

20th June 2022

Citizens Advice response to BEIS' letter on changes to the Energy Bills Support Scheme

Dear Jessica,

We welcome the further opportunity to respond to this consultation on changes to the Energy Bills Support Scheme.

We support the decision by the government to increase the energy bill reduction to £400 and to turn the rebate into a grant. The energy price cap could increase to as much as £2,880 in October, rising further to over £2,900 in January.¹ The announced changes to the support scheme, alongside the other targeted measures, will therefore be essential to ensure that people are supported during the coming winter. Therefore, it is critically important that all necessary measures are taken to ensure that all energy customers receive the grant.

In our response to the initial Energy Bills Support Scheme consultation, we outlined several concerns about the design of the scheme that could lead to customers missing out on the payment.² In particular in relation to customers with traditional prepayment meters, and customers with arrears on their account. The government's decision to turn the rebate into a grant, and to increase the value of the payment, is an acknowledgment of the serious challenge facing households over the coming winter. Therefore, it is vitally important that all necessary measures are taken to ensure that all customers are able to benefit from the scheme.

Yours faithfully,

Tom Brooke Bullard

¹[Cornwall Insight](#), 2022

²Citizens Advice, [Citizens Advice response to BEIS consultation on the Energy Bills Support Scheme](#), 2022

Consultation questions

1. Do you agree with the approach to ensuring support is provided over the winter months? Please provide any reasoning to support your response.

We broadly agree with the goal that all suppliers should provide the £400 over the winter months. We are generally supportive of the proposal to also spread the payments out for all customers, however they pay for their energy. This will help to ensure that people can pay for their ongoing usage throughout the winter.

However, spreading the payments to customers over the 6 month period will be more difficult for some payment methods. In our understanding, this will be a relatively process for direct debit and smart prepayment customers. It is likely to be more complicated for customers who pay by traditional prepayment meters, and we discuss this in more detail below. It is unclear how it will be managed for customers who use payment card or by deductions from benefits. A proportion of the latter group are currently not paying the full cost of their ongoing usage following the decision by the Department for Work and Pensions to prevent suppliers making changes to payments until April 2023.

2. Does the change from £200 to £400 affect which consumers may be difficult to reach?

We are not aware of any new groups of consumers who will be difficult to reach as a result of the change from £200 to £400. However, the government's decision to turn the rebate into a grant, and to increase the value of the payment, is an acknowledgment of the serious challenge facing households over the coming winter, and the impact of missing out on this larger support will be more keenly felt. It is therefore particularly important that the government takes all necessary steps, and works with relevant stakeholders, to ensure that as many people as possible receive the rebate.

We remain concerned about how the grant will reach tenants who are charged 'all inclusive' rent by their landlord. As we noted in our earlier response, there is no current database or registry of landlords providing tenancies on this basis, making transparency of these arrangements, or auditing the successful and fair distribution of the rebate and collection of the levy prohibitively challenging. There is also no legal mechanism currently in place to compel landlords to distribute the grant. This will impact a considerable number of consumers, with recent Citizens Advice research showing that more than 13% of all renters (equivalent to 585,000 people) either have their landlord manage their energy and send them a bill or charge via a sub-meter, or have the landlord include energy in the rent.³

Equally, domestic consumers receiving energy via non-domestic energy contracts will miss out on the grant. Our evidence suggests this could particularly impact people living in park-homes, tenants in flats which have been converted from former office blocks under permitted development and are sub-metered, and tenants living in mixed-use properties. The government should create a discretionary fund for these consumers, and others identified via the consultation as being likely to miss out on the rebate.

3. Now the grant is £400, how many vouchers would it be appropriate for suppliers to send and should these be provided in one go or staggered through the winter? If staggered, how many tranches would be appropriate and why?

³Citizens Advice, [Room for Reform: Embedding fair outcomes for tenants in tomorrow's retail energy market](#), 2022

Spreading the payment for prepay customers over 6 months should make it more likely that customers will have enough credit to stay on supply over the winter. However, as discussed in our previous response, we have specific concerns about the design of the scheme in relation to customers on traditional prepayment meters.

We're concerned there is a high chance that customers will miss vouchers or SAMs, and we're aware from providing charitable fuel vouchers that some customers experience problems and negative interactions when using vouchers at paypoint or payzone shops. The previous Government Electricity Rebate scheme saw almost 30% of prepay customers miss out on redeeming support.

Increasing the value of the grant to £400 and spreading the payments over 6 months, increases the volume of vouchers and number of times that these will need to be sent out to customers. This heightens the risk that customers will miss vouchers or SAMs, and increases the potential for consumers to be exposed to fraud. It will also increase the administrative costs of the scheme, and increase the number of communications customers have to engage with. It will also remove flexibility for a group of customers who may want to use more of the support in the coldest months when their usage is highest. BEIS should consider whether a smaller number of payments is more appropriate for this group, while still helping them benefit over the period.

There are a number of specific actions that BEIS, Ofgem and suppliers should also take to ensure that as many traditional prepayment meter customers receive the rebate as possible:

- Ensure that proactive communications, that have been tested with traditional prepay customers, are sent to customers well in advance of the qualifying date. Communications should clearly explain how the rebate will be paid to them and what action they should take, and what support is available.
- Paypoint and Payzone shops may be the main touchpoint for some consumers in this group, and BEIS should engage these providers to develop communications (eg additional training for staff, posters in shops, messages on receipts etc).
- Specific proactive outreach and additional communications for hard-to-reach customers, including information about how the rebate is likely to interact with debt on their account.
- Specific targets for the percentage of traditional prepay customers that suppliers should be expected to reach with the payment, and a backstop method of payment for customers who don't redeem support. This should be agreed in consultation with suppliers and stakeholders.

Some traditional prepayment meter customers receiving Warm Home Discount may also be in receipt of a further £150 in vouchers, with some suggestions this may be increased further to support people this winter. Communications across the schemes should be aligned to ensure that customers are getting consistent information.

Higher levels of voucher support are also likely to increase the numbers of consumers changing tenancy before redeeming all their vouchers or using all the credit loaded onto their meters. These issues will need to be addressed in the scheme guidance and suppliers may need to take steps including replacing unused vouchers with cheque/bank transfers and processing refunds promptly.

4. Does the change from £200 to £400 affect whether the grant should be used towards arrears or payment plans?

In our response to the initial consultation, we highlighted serious concerns about plans to allow suppliers to apply the rebate to arrears, and in particular to 'bad debt'. Evidence from our service

suggests that energy debt is a growing problem. In March 2022, more than 15,000 people sought advice from our service for energy debts, a 50% increase on the same period last year.⁴

Where there is an arrangement to repay it is vital that suppliers reduce payments over the winter period in order to align with the aims of the scheme, rather than using the payment to simply bring forward the end of the repayment arrangement (which could be many months or years away).

We understand that one option being considered by the government is for suppliers to receive the payment from the government in 6 instalments, which will then be passed on to customers. In this scenario, this payment would not be paid towards arrears for Direct Debit customers. While the details are still to be outlined, we are supportive of a solution which would ensure that customers are able to benefit from the full value of the grant.

Our understanding is that customers who prepay will continue to have any pre-agreed portion of their top ups taken for debt. BEIS should consider whether this can be avoided in order to prevent risks of self-disconnection, though there may be challenges for doing this for traditional prepay. In any case, there may need to be a mechanism to refund excess debt payments if suppliers subsequently identify during the period that repayment levels had been set too high and were no longer affordable for the customer.

⁴ To obtain this figure, we took the mean of all the figures entered under the following categories in March 2022: Dual Fuel, Electric, Gas, Gas/Electricity/Dual Fuel Arrears, Gas/Electricity/Dual Fuel Arrears (former supplier). The sample contained 6198 unique entries. The figures were self-reported by clients to Local Citizens Advice debt advisors. N.b. This is less than the 15,000 figure, as this sample only contains clients who went through the Budget Planning process - it doesn't include everyone who sought advice for energy debts.