

Energy Action Scotland (EAS) response to Ofgem Consultation Reviewing the potential impact of COVID-19 on the default tariff cap: cap period seven

About Energy Action Scotland (EAS)

Energy Action Scotlandⁱ is the Scottish charity dedicated to ending **fuel poverty**. Energy Action Scotland has been working with this remit since its inception in 1983 and has campaigned on the issue of ending fuel poverty and delivered many practical as well as research projects to tackle the problems of cold, damp homes.

Our Response

Cold, damp, and unsafe homes continue to cause **unacceptable levels** of unnecessary **hardship** and **premature mortality**. Energy Action Scotland estimates that on average more than **2000 people**ⁱⁱ in Scotland **die** each year due to living in a cold home. The Office for National Statistics (ONS) estimate that that the biggest cause of death was respiratory disease, followed by circulatory health conditions. Both these conditions are badly exacerbated by living in cold homes which are hard to heat and around 30% of these deaths could have been preventedⁱⁱⁱ.

Covid-19 is likely to have left many households more exposed to the risks of living in a cold home than ever before^{iv}. Scottish Government estimates suggest that **fuel poverty** could rise as high as **29%**^v because of the socio-economic impact of COVID-19. The number of needless deaths is the 'tip of the iceberg' and as well as the devastating impacts cold homes have on their occupant's lives, this problem extends to all of us; needless health & social care costs^{vi}, queues at GPs and A&E as well as delaying the discharge of the most vulnerable patients from hospital. The resulting impact on health services **costs** the **NHS in Scotland** over **£100million**.

The **affordability** of energy costs is a key determinant in the likelihood of a household being in fuel poverty. We are a supporter of the **price cap** as a device to ensure that it is more likely that households pay a fair price for energy. Since its introduction in January 2019, we recognise the Government estimates that the cap has **saved** customers around **£1 billion** a year, equivalent to around **£75-100 a year** for typical households on default energy tariffs.

In previous consultations regarding the costs of COVID-19 in the price cap, we were concerned that Ofgem should take considerable care with increasing costs for consumers when many are already struggling financially. **We are pleased** that this consultation's proposed route forward **does not propose** to continue with what was an increased burden on energy consumers through increasing the default tariff price cap to cover **additional costs** of COVID-19 at the last review period. And that this applies to both credit and pre-payment customers.

We are **concerned** about any **additional costs** to energy for vulnerable and fuel poor households and have a growing concern about those experiencing sudden and sustained reductions in their incomes because of the impact of COVID-19 on society. We believe that much more should be done to identify **financially vulnerable households** and provide suitable support.

We maintain that the following actions are crucial, and urge Ofgem to take them forward:

Households in need of support should be better identified through:

- **Better** use of available **data**, already within the reach of energy suppliers, to identify those most in need.
- The UK Government and devolved administrations on consulting publicly on how accessing the **shielded patients list** could help energy companies to provide more targeted support to their customers who are most vulnerable.
- Section 36(3) of the **Digital Economy Act**^{vii} should be further expanded to allow local authorities, public sector health bodies and energy network companies to undertake direct data matching access with the Department for Work and Pensions (DWP), independent of licensed gas and electricity suppliers.

More should be done to raise awareness of support through:

- Ofgem and BEIS should have regard to how companies have used different **communication channels** to support non-digital consumers who may have missed out on support/advice during COVID-19. Ofgem should ensure utilities have plans in place to provide information on emergency support in **different languages** and formats, including Braille, BSL, and languages such as Polish, Punjabi and Urdu. This should include consistent core information being provided to all customers with their **bills**.
- Ensure that suppliers **offer wider support** for any customer failing to access support via Warm Home Discount broader group.
- Promote **Fuel Direct** to indebted customers, to increase awareness of this underutilised support mechanism.

More should be done to directly address debt by:

- Consistent '**Ability to Pay**' and debt collection principles should be implemented across energy bills.
- Signposting **income maximisation** services to all customers who are on a debt repayment plan.

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ⁱⁱ Excess Mortality Figures for Scotland 2018/19 indicate that excess mortality was 2060

<https://www.nrscotland.gov.uk/files/statistics/winter-mortality/2019/winter-mortality-18-19-pub.pdf>

ⁱⁱⁱ Excess winter mortality statistics record the 'additional' deaths that occur in December to March compared to the preceding August to November and Following April to July. Of these the World Health Organisation estimates that 30% are due to cold housing (WHO 2011)

^{iv} The health implications of cold temperatures on respiratory conditions and on frail and elderly households are well known. These impacts are also intergenerational, with children twice as likely to suffer from asthma or bronchitis if they inhabit cold and damp housing. These issues have been badly exacerbated the Covid-19 crisis. During the colder months, many people will continue to stay at home for longer periods. Alongside the psychological stress and social isolation caused by the virus, too many will have to choose between heating their home adequately and falling into debt or rationing their energy use and living in cold damp homes that are dangerous to their health and can shorten their lives. This can lead to a vicious cycle of hospital admission, discharge, and readmission. Poor housing leads to sharp rises in energy use. A recent independent analysis suggests that, if a second lockdown was re-imposed during winter months, families in cold, leaky homes would face heating bills elevated on average to £124 per month, compared with £76 per month for those in well-insulated homes – a difference of £49 (£48.7) per month. In Scotland this is expected to be between 25-50% higher for those in all electric homes in colder climates.

^v Experimental analysis of the impact of COVID-19 models as high as 29%

<https://www.gov.scot/binaries/content/documents/govscot/publications/research-and-analysis/2020/08/scottish-house-condition-survey-additional-analysis/documents/experimental-analysis-of-the-impact-of-covid19-on-fuel-poverty-rates-report/experimental-analysis-of-the-impact-of-covid19-on-fuel-poverty-rates-report/govscot%3Adocument/Experimental%2Banalysis%2Bof%2Bthe%2Bimpact%2Bof%2BCOVID-19%2Bon%2BFuel%2BPoverty%2BRates%2BReport.pdf>

^{vii} <https://www.gov.scot/publications/scottish-public-authorities-sharing-data-consultation/>