

British Gas Energy Trust

Response to Ofgem Energy Price Cap Operating Cost and Debt Allowances Consultation.

About Us

The British Gas Energy Trust (the Trust) is an independent charitable trust funded solely by British Gas, with a mission to alleviate the detrimental impact of poverty by focusing on fuel poverty. Since the launch of the Trust in 2004, £200 million has been invested in helping more than 700,000 people manage their energy costs.

For more information: [Independent fuel debt advice – British Gas Energy Trust](#)

The Trust's Role and Perspective

At the British Gas Energy Trust, we are committed to aligning our efforts, with national UK Government and Ofgem strategies, to address the multifaceted nature of fuel poverty, and to tackling both immediate financial burdens on individuals and also the structural challenges within the energy market. Our ongoing work focuses on:

1. **Direct Financial Support:** Through grants and energy debt relief, we provide immediate assistance to those in need, complementing the proposed Ofgem initiatives.
2. **Energy Efficiency Education:** We empower households to reduce consumption and lower bills by promoting practical energy-saving measures.
3. **Holistic Money, Debt & Energy Advice:** We fund practical personalised support for households in or at risk of fuel poverty, delivered through a network of not-for profit charities and social enterprises.
4. **Advocacy for Vulnerable Consumers:** Our close engagement with policymakers ensures that the voices of those affected by fuel poverty are represented and prioritised in decision-making.

Introduction

The Trust welcomes the opportunity to respond to the Energy price cap operating cost and debt allowances consultation.

The Trust's primary concern is to ensure that, in relation to fuel poverty and energy, an appropriate balance is struck between:

- Avoiding exacerbating the financial burden on households that are already struggling with high energy costs,
- Ensuring that vulnerable households receive the long-term holistic support they need, and
- Ensuring that suppliers are able to recover efficiently incurred costs.

The conclusion from the Trust's recently published report, '*Towards an end to fuel poverty in Britain*' highlights the need for a comprehensive, collaborative, and long-term approach to effectively tackle fuel poverty in Britain.

Two key insights from the report emphasise this point:

- **Fuel Poverty is Complex and Interconnected:** Fuel poverty intersects with various social issues, including mental health, disability, and wider poverty problems. Addressing it requires a holistic approach.
- **Holistic Support is Effective but Resource-Intensive:** Holistic support, though resource-intensive, creates long-term savings and significant social value. It addresses the root causes of fuel poverty and improves overall wellbeing.

This consultation is an important step towards stabilising the energy market and ensuring suppliers can operate sustainably while protecting consumers, especially vulnerable households.

Addressing fuel poverty requires more than policy changes—it demands a cultural shift toward equitable, sustainable energy solutions and bolstered by practical solutions and strong collaboration among stakeholders, including government, industry, and organisations like the Trust.

The Trust highlights what we believe are the key areas in response to the consultation:

- **A Stable Regulatory Environment**
- **The Need for Alternative Options for Funding Support Initiatives**
- **Recognising the Unintended Consequences**
- **Voluntary Support from Energy Suppliers**
- **A Collaborative Way Forward**

A Stable Regulatory Environment

The linkage between the support that energy suppliers offer directly and indirectly (through organisations like the Trust) and the stability of the regulatory environment is critical. A stable regulatory policy environment where the longer-term impact of policy changes is considered and understood prior to implementation will avoid unintended consequences that directly impact the potential support suppliers can provide to vulnerable customers.

The roles of different sectors in supporting the vulnerable are crucial, but policy and regulation must ensure that energy providers maintain the ability to support customers who may be struggling and need assistance. Energy providers should have the capacity and funding to be the first line of support for vulnerable customers; if their ability to support customers is diminished, the most vulnerable will suffer.

A reduction in operating cost allowances under the price cap has direct implications that would threaten reductions in the support energy suppliers can offer to vulnerable customers. This could impose funding constraints/reductions on organisations such as the Trust (and the organisations we fund) and charities funded directly by energy suppliers, increasing the burden on the third sector.

The Need for Alternative Options for Funding Support Initiatives

Currently, one of the key levies on energy bills is the "Energy Company Obligation" (ECO), which funds energy efficiency improvements for vulnerable consumers and contributes to efforts to alleviate fuel poverty. Other levies, including those aimed at renewable energy support, also add to household bills, steadily increasing over time and impacting the cost of energy.

While these initiatives support long-term sustainability and reduce carbon emissions, it is crucial that any further levies or additional energy costs are not passed onto vulnerable households. Policymakers and Ofgem should explore alternative funding means—such as through general taxation or other revenue sources—rather than adding more to household energy bills.

The goal should always be to ensure that vulnerable households are not further disadvantaged by increased energy costs.

Recognising Unintended Consequences

Any unintended consequences of changes to the price cap must be thoughtfully considered. The energy price cap protects consumers from excessive charges by capping the maximum amount suppliers can charge, limiting revenue potential, especially during periods of high wholesale energy costs. However, this financial constraint can reduce funds available for essential investments in infrastructure, innovation, and customer support services.

Such financial constraints might prevent energy companies from offering comprehensive assistance to vulnerable customers, as providing in-depth support often requires significant resources. Additionally, the price cap's effect on profitability can lead to increased financial risk, potentially affecting the company's stability and capacity to invest in long-term solutions aimed at reducing fuel poverty.

Policy and regulatory decisions that fail to strike an appropriate balance can create negative ripple effects, leading to unintended consequences such as reduced funding for existing projects that the Trust supports, disrupting services, and severely impacting organisational capacity to meet demand and possibly survive.

This includes charities such as Citizens Advice Doncaster, the Zinithya Trust in Nottingham, Bromley by Bow Centre, Riverside Advice, Money A&E, Money Matters, Navigate, Citizens Advice Sunderland, Citizens Advice Hartlepool.

For a complete list of the organisations (in 41 projects) the Trust funds see:

[Fuel and money advice - Local centres - British Gas Energy Trust](#)

Voluntary Support from Energy Suppliers

The Warm Home Discount (WHD) scheme, launched in April 2011, requires participating domestic energy suppliers to provide support toward energy costs for low-income individuals vulnerable to cold-related illnesses or living in fuel poverty in Great Britain.

Since the introduction of WHD, energy suppliers have provided 28.1 million energy bill rebates worth almost £3.63 billion.

Many energy suppliers go beyond their statutory obligations in supporting vulnerable customers. In August 2022, British Gas announced a series of customer support packages totalling £140 million.

British Gas' commitment to tackling fuel poverty is reflected in its voluntary initiatives, which rely on sustained profitability to continue. Since the launch of the Trust in 2004, nearly £200 million has been invested by British Gas through our initiatives, helping more than 700,000 people manage their energy costs and combat fuel poverty.

Other energy providers also contribute voluntarily to schemes addressing fuel poverty, supplementing their regulatory obligations. For instance, EDF Energy has allocated an additional £40 million to support customers facing financial difficulties during the energy crisis. This includes reducing standing charges for vulnerable customers, enhancing the Customer Support Fund for debt relief and energy-efficient appliances, and funding home insulation projects. Similarly, UK Power Networks runs its 'Power Partners' community scheme, investing approximately £300,000 annually to provide grants of up to £20,000 to charities tackling fuel poverty.

Energy UK's Vulnerability Commitment includes 13 supplier signatories, covering over 95% of the domestic retail market. This initiative requires companies to go beyond their statutory obligations in supporting vulnerable customers, with independent annual assessments ensuring accountability and progress.

These examples demonstrate that voluntary funding from profits is an industry-wide effort to mitigate fuel poverty. However, policy decisions impacting supplier profitability have the potential to reduce the scope of such initiatives, directly affecting vulnerable households relying on this support. By understanding and supporting the balance between reasonable profits and community investments, stakeholders can ensure these vital programs continue to thrive.

Therefore, while the price cap serves an important protective function, it is crucial to balance consumer protection with the financial health of energy suppliers to ensure they can continue to support vulnerable customers effectively.

A Collaborative Path Forward

The need for a comprehensive, collaborative, and long-term approach to effectively tackle fuel poverty in Britain is clear, supported by practical solutions and strong collaboration among stakeholders, including government, industry, and organisations like the Trust.

Fuel poverty is a profound and multifaceted issue that necessitates a concerted, cross-sectoral response:

- **Government and Regulators:** Robust and unambiguous policies are crucial to ensure that the energy market functions equitably for all consumers.
- **Energy Providers:** Companies must take a leading role in fostering innovation, enhancing efficiency, and providing steadfast support to vulnerable customers.
- **Civil Society:** Organisations like ours and other charities shed light on the real-life impacts of fuel poverty, provide holistic and financial support to individuals and households as well as offering invaluable perspectives on policy effectiveness.

Conclusion

The Persistent Challenge

Fuel poverty remains a daunting reality for millions of households across the UK. The intersection of escalating energy costs, the pressing need for sustainable energy solutions, and the urgency of protecting vulnerable communities requires focused and immediate action.

Beyond Policy Changes

Addressing fuel poverty transcends the realm of policy changes —it demands a fundamental cultural shift towards equitable and sustainable energy solutions. The recent consultations from Ofgem and the Department for Energy Security and Net Zero hold promise for substantial progress, yet their success is contingent upon effective implementation and robust cross-sector collaboration.

A Call to Action

We wholeheartedly endorse Ofgem's consultations and their overarching objectives. However, it is imperative that these policies are executed with a profound understanding of their repercussions on both energy suppliers and lower-income households.

The Unintended Consequence

Energy providers should have the capacity and funding to be the first line of support for vulnerable customers; if their ability to support customers is diminished, the most vulnerable will suffer.

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Collaboration can Tackle Fuel Poverty

The British Gas Energy Trust is unwavering in its commitment to our mission: to ensure individuals do not have to choose between heating their homes and feeding themselves. We are convinced that through collaboration among the government and regulators, energy providers, and civil society, we can achieve a future where energy is accessible, affordable, and sustainable for everyone.

Additional information

Related articles by Trust CEO, Jessica Taplin

- A thought piece by Jessica Taplin, [Fuel Poverty and Energy: Navigating the Path Forward - British Gas Energy Trust](#)
- Trust CEO Jessica Taplin shares her insights on what a Civil Society Covenant should encompass to ensure effective and enduring collaboration. [Rethinking Civil Society: A Call for Clarity, Collaboration, and Long-Term Commitment - British Gas Energy Trust](#)
- A thought piece by Jessica Taplin [Rethinking profit: embracing regenerative business for social impact - British Gas Energy Trust](#)

Toward an end to fuel poverty in Britain

- This report establishes the context of fuel poverty in Britain. It sets out the clear need to tackle this complex crisis in a holistic way, before setting out several recommendations towards eradicating fuel poverty.
- [Toward an end to fuel poverty in Britain - British Gas Energy Trust](#)

Reports

- [Social Return of Investment report - British Gas Energy Trust](#)
- This report conducts social return on investment (SROI) analysis of the Trust's operations in alleviating the impact of fuel poverty, from April 2020 to March 2024.

- [Impact Report: 2024](#)

Contact

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