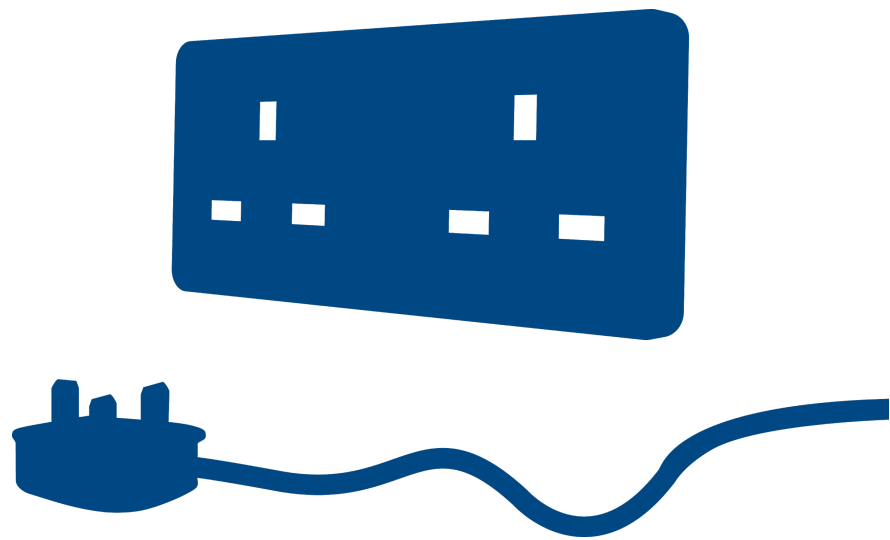


Citizens Advice response to 'Consultation to Review the Energy Industry Voluntary Redress Scheme'

April 2021



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Question 1: Do you consider the funding split between the Main Fund, Innovation Fund and Decarbonisation Fund to be appropriate?

Yes. However, we would welcome projects that focus on consumers in vulnerable circumstances across the funding streams. For example, community energy projects that seek to promote decarbonisation but also work particularly for the benefit of low income consumers in their area.

Question 2: Do you consider the proportionate funding split between vulnerable consumers and all energy consumers to be appropriate? i.e. 70% to vulnerable consumers and a total of 30% to all energy consumers.

Yes. Our research has shown that the coronavirus pandemic has negatively impacted many people financially, with an estimated 2.8 million people now behind on their energy bills¹. However, the funding opportunities that are available to charities who wish to improve outcomes for energy consumers in vulnerable circumstances continue to be limited. As such, we think it is important that the majority of the Energy Redress Fund remains dedicated to supporting vulnerable and low income consumers.

Question 3: Should a fuel voucher fund remain a permanent feature of the overall Energy Redress Scheme, so that it can react quickly to specific crises?

Given the financial challenges outlined above, and the Government's plan to withdraw the £20 uplift to Universal Credit later this year, we think there is likely to continue to be an elevated consumer need for financial support this winter.

We note that there are other routes for financial support which also aim to tackle this issue. Ofgem's new rules on debt and self-disconnection have put more onus on suppliers to support their customers, and they are also able to

¹ Citizens Advice, (2020), [Excess debts - who has fallen behind on their household bills due to coronavirus?](#)

provide financial assistance through Warm Home Discount industry initiatives. In 2018/19, only 7% of the total £5 million available through the Warm Home Discount scheme was utilised², but the government has made scheme changes that should improve this for 2021/22. However, we think it is unlikely that these policies will protect all consumers, and as such we see an important role for fuel vouchers over the coming year.

In the longer term, BEIS has committed to consulting on more fundamental reforms of the Warm Home Discount scheme for 2022/23 onwards. We recommend a further review of how the fuel voucher fund will work alongside the redesigned Warm Home Discount Scheme once these changes have been decided. This review could also take account of factors like the take up of smart metering among people with prepay meters (which should enable greater support) and the impact of new Ofgem rules that require customers to provide Additional Support Credit.

Question 4: If a fuel voucher fund is set up, what type of consumer should be eligible to apply for these vouchers? e.g. vulnerable consumers, prepayment meter consumers.

We think the priority should be to support prepayment meter consumers at risk of self-disconnection and self-rationing. This recommendation is made for three key reasons:

- For people with prepayment meters, struggling to pay for energy puts people at risk of self-disconnection (as well as self-rationing), and has a more immediate impact on mental and physical health.
- Our research shows that people with prepayment meters are among those struggling financially as a result of the coronavirus pandemic, and that rates of self-disconnection could be rising³. In the 6 months from the first lockdown period, 16% of consumers with prepayment meters were unable to top up their meters because they could not afford to.⁴
- There are other measures in place to provide long term support for consumers with credit meters (i.e. requirements for affordable repayment

² Citizens Advice, (2020), [The end of the beginning](#)

³ Citizens Advice, (2020), [Excess debts - who has fallen behind on their household bills due to coronavirus?](#)

⁴ Citizens Advice, (2020), [Recovery or Ruin?](#)

plans, access to third party debt advice and debt solutions, debt write offs through Warm Home Discount industry initiatives, and charitable trusts).

Any scheme should have a clear objective in terms of the outcome it is looking to achieve. It should have simple eligibility criteria based on clear need in order to ensure that people can access support readily. We have concerns about the current consumer journey for fuel vouchers that we set out in more detail in response to question 9.

Question 5: What are your views on expanding the applicant scope beyond charities and organisations that partner with charities? If you think the scope should be expanded, do you have any suggestions for how eligibility should be defined? (e.g. what legal structures/status should qualify? Should there be other qualifying criteria?)

We agree that there may be scope to extend the applicant scope of the Energy Redress scheme to include community energy groups, who may particularly be interested in the decarbonisation fund. We are aware that these groups use specific legal structures (like Community Interest Companies, Co-Operative Societies etc) which Ofgem may wish to consider adding to the applicant scope. However, as the consultation does not make any specific proposals in relation to possible qualifying criteria we are unable to comment in more detail.

While we recognise that Local Authorities have faced significant financial constraints in recent years, we do not support extending the applicant scope to enable Local Authorities to apply independently, although we support the existing scope for Local Authorities to jointly bid with charities. We generally consider funding for Local Authority energy schemes to generally be a matter for central government (through schemes like the Green Homes Grant Local Authority Delivery scheme) and through Local Authorities' own revenue raising powers. We also note that Local Authorities can apply (along with social landlords) for funds via the Warm Homes Fund. Including Local Authorities could also make administration of the scheme more challenging as it would change the nature of the scheme and significantly broaden the number of potential applicants. In addition, we note that the resources available through the Redress Scheme are not sufficient to make up the shortfall in Local Authority budgets but do make a significant contribution to the funds that charities have available to them.

Question 6: How did you find the application process?

In order to provide an assessment of the application process, we consulted with 7 local Citizens Advice offices and the team responsible for managing energy funds for national Citizens Advice who have experiences of applying to the fund. Overall the feedback on the application process was positive. However, a number of local Citizens Advice did note that they found the application process to be complicated and time consuming. Issues included the character limits included in the application form are tighter than those stated in the guidance; the application form does not allow for information to be copied and pasted; the budget sheet needs to be inputted manually and the application form has to be completed online. That said, a small number of local offices did note that in comparison to the main fund, applications to the fuel voucher fund were easier to complete and less time consuming.

Question 7: Did you have a good understanding of the eligibility criteria?

Yes, the feedback that we have received from local Citizens Advice is that they had a good understanding of the eligibility criteria. This was particularly the case for those that had attended the redress fund workshops, which were seen as helpful. In addition, the fact that there is not a requirement to show that consumers had saved energy was seen to be a particular strength of the scheme. Low-income families often under consume, and providing support with energy costs may have the outcome of improving comfort levels.

Question 8: Do you have any feedback on what would have made the process better?

Overall, it was felt that simplifying the application form for the main fund would make the application process less cumbersome and time consuming.

Furthermore, there were found to be some variances in the quality of the feedback that was provided to local Citizen Advice offices. Some local offices stated that the feedback that they received was very detailed, while others noted that they received very little feedback. As such, efforts should be made to ensure that all applicants to the Energy Redress scheme receive useful and appropriate feedback regardless of the outcome of their application.

Finally, a small number of local Citizens Advice offices noted that the funding conditions (i.e. the retrospective payment of funds) meant that they had to

consider whether they could afford to apply for Energy Redress funding in the first place. While we appreciate that funding needs to be linked to satisfactory performance outputs in order to ensure that targets are met, we think the scheme should consider whether successful projects could be provided with a small stipend at the beginning of the project in order to ensure that small charities are not excluded from the scheme.

Question 9: Should we consider any other areas regarding the Energy Redress Scheme? If so, please provide an outline explanation of your suggested area(s). If possible, please outline any associated benefits and costs with your suggestion(s).

On the whole, it appears that the Energy Redress Scheme is working well and meeting the current objectives of the scheme and would welcome the opportunity to work with the Energy Saving Trust with the aim of addressing wider policy issues. However, these objectives mean that generally smaller funding amounts are provided to smaller charities and organisations across the country, meaning their impact is not distributed equally, and that proposals for more transformative projects are ineligible to be taken forward. This is a particularly pressing issue in relation to the fuel voucher fund, where it can lead to a poor consumer journey for people accessing emergency support.

At present, the design of the fuel voucher fund (which only allows a maximum award of £300,000) means that recipients are smaller organisations distributed across the country. It isn't currently possible to track which organisations have bid successfully, or what their eligibility criteria for vouchers are. This approach has been successful as a means to quickly pump more money into a range of small and medium-sized schemes and enabled the creation of some new temporary ones during the pandemic and at a time of high consumer need. However, it has not provided joined-up support for people, regardless of where they are in Great Britain.

It has been suggested that changes to enable advice organisations to signpost people to support in their area could help solve this issue. However, we think this could lead to poor outcomes. For example, a client of one service could be signposted to another, only to find they aren't eligible for support and need to be referred back to the organisation they came from, adding time and hassle to resolve a serious situation. More formal referral arrangements between organisations could resolve some of these issues, but would not be practical

given the current range and scale of organisations providing vouchers. There is also no funding available to allow referral relationships to be developed and implemented.

An alternative approach could be to provide vouchers through a centralised provider that is experienced in providing fuel vouchers and other support. This would require changes to the scheme rules to enable larger amounts of funding. While this could result in a simplified consumer journey and access to support regardless of location, it could also incentivise suppliers to avoid their own responsibilities to support consumers and signpost them to the central service instead. To tackle this there would need to be clear eligibility criteria agreed in order so that the right customers are referred. For instance, this would need to exclude customers who are eligible for Additional Support Credit from their supplier or would benefit from receiving specialist support from an organisation like the Extra Help Unit.

Clearer objectives for the fuel voucher fund would be useful in setting a way forward for the coming winter, particularly in determining whether a more coherent and comprehensive support offer is desirable, and how such a scheme might interact with existing consumer journeys for advice and support. It's important that any decisions are taken as early as possible to enable any changes to take effect by winter 2021.

Question 10: Do you have any other general comments or feedback you would like to provide?

The feedback that we received from local Citizens Advice offices highlighted that the fuel voucher scheme had had a positive impact on energy consumers in vulnerable circumstances. Offices also noted that there were a number of practical issues when energy consumers attempted to redeem the vouchers at Post Offices or Paypoint outlets. Consumers were told, on occasion, that they did not accept fuel vouchers and/or the vouchers were invalid.

We're keen that these issues are addressed if the voucher fund is to be extended, as they resulted in delays to receiving support and a negative experience for clients. We're working to understand the cause of these issues and the likely impact of mitigations that have been put in place by voucher providers and top-up vending locations.

Finally, we would also like to take this opportunity to commend the Energy Saving Trust's response to the coronavirus pandemic. The feedback that we have received from local Citizens Advice offices has not only highlighted the fuel voucher scheme enabled us to support low-income households who were experiencing sustained financial hardship but also that the Energy Saving Trust proactively engaged with Local Citizens Advice Offices who were in receipt of funding. This permitted our local offices to adapt quickly to changing circumstances and find new ways of working. It enabled them to provide continued support to energy consumers during a sustained period of both financial and societal uncertainty.

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