



House of Commons
Energy Security and Net Zero
Committee

**Preparing for the
winter: Government
Response to the
Committee's First
Report of Session
2022–23**

**First Special Report of Session
2023–24**

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The Energy Security and Net Zero Committee

The Energy Security and Net Zero Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Energy Security and Net Zero, and associated public bodies.

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First Special Report

The Energy Security and Net Zero Committee published its First Report of Session 2022–23, [Preparing for the winter](#) (HC 1720), on 23 September 2023. The Government response was received on 30 November 2023 and is appended below.

Appendix: Government Response

Recommendation 1/2

We recommend that the Government ensures that all households who missed out on the 2022–23 Energy Bills Support Scheme and Energy Bills Support Scheme Alternative Funding should receive their payment with immediate effect. (Paragraph 15)

The Government spent £11.5 billion in Great Britain on the Energy Bills Support Scheme (EBSS), reaching 99% of targeted households as part of the wider £40 billion package spent on protecting households and business from spiralling energy bills last winter. In Northern Ireland, an additional £0.5 billion was provided via a £600 payment to households via a bank credit or redeemable voucher. This also reached 99% of targeted households.

A particular challenge was ensuring customers with traditional (non-smart) prepayment meters (PPMs) redeemed the vouchers they were sent to top up their meters. In Great Britain, 87.5% of vouchers provided were redeemed, considering exceptions such as vacant properties. Redemption rates were higher in Northern Ireland, exceeding 97%. This is attributed to the single larger cash payment and greater public awareness due to two thirds of customers receiving the payment via vouchers, compared with just 2% of customers in Great Britain.

Throughout the life of the scheme the Government undertook widespread communications activity to increase redemption rates, including using community radio, social media, national magazines and billboard vans in towns and cities across the country. Suppliers were also able to issue cheques to customers with unredeemed vouchers who made themselves known to their supplier prior to scheme closure. These represent 7% of all unredeemed vouchers. The Government does not intend to re-open EBSS to those households that did not redeem their vouchers prior to the scheme closing on 30 June 2023.

The Energy Bills Support Scheme Alternative Funding (EBSS AF) was available to around 900,000 households in Great Britain who did not have a domestic electricity supply and therefore were not able to receive support automatically through the EBSS, offering them £400 support with their energy bills. The estimated number of eligible households was based on the best available data and the true number of eligible households for the scheme could be lower. The Energy Bills Support Scheme for Northern Ireland Alternative Fund (EBSS AF NI) provided £600 for households who did not receive support automatically through the EBSS AFP NI. 216,830 applications were made for the EBSS AF schemes, with over £61 million support provided to eligible households. The final application figures for the schemes were published on GOV.UK on 19 October.

The EBSS AF schemes were open from 27 February to 31 May. The Government used a range of methods to ensure as many eligible households as possible were able to apply.

This included press notices to highlight the scheme in national and regional media, social media and digital resources, roundtables with stakeholders who represented eligible households, and a request for local authorities to write to care homes and park home sites in their area. The schemes were supported by an appeal/complaints process where cases could be escalated to DESNZ by applicants via the delivery partner or local authorities if they thought they had been incorrectly rejected. Cases were investigated and eligibility reviewed against the scheme guidance, additional information requested where necessary and cases paid as appropriate.

We have continued to resolve issues related to any existing cases where people have raised concerns, although the scheme is closed to new cases. We have been as flexible as possible, including in a small number of cases where applicants had not been able to complete their applications and where we processed the application even after the scheme had closed, allowing them as much time as required to submit additional evidence so that they could prove their eligibility. Most applicants to EBSS AF were paid, almost all appeal cases have now been processed and the schemes have now entered their reconciliation and closedown phase. The Government does not have any plans to re-open the EBSS AF, but has used lessons learned exercises to assess how similar schemes could be improved in the future.

The Government is also running a scheme to provide a £600 support voucher to itinerant boat dwellers who were registered as continuous cruisers with the Canal and River Trust for at least one day during the period the EBSS AF scheme was open, and has so far reached 82% of this group. The Government has always understood the challenges of an application-based scheme, with many households eligible for EBSS AF vulnerable and/or hard-to-reach. However, as these households did not have a direct relationship to a domestic electricity supplier, the Government could not identify them to provide support automatically.

Additional support is being delivered this winter through the welfare system via the Cost-of-Living payment, where vulnerable households will receive £900 in payment through the welfare system during 2023–24. The Warm Home Discount will also provide a second payment of £150 in January 2024. The Government will continue to closely monitor energy prices and keep energy support schemes under review.

Recommendation 3

We recommend that, this winter, the Government works to extend the Warm Home Discount to low-income and fuel-poor households, especially giving consideration to those with disabilities and medical conditions. Discounts should not be based on a first come, first served basis. (Paragraph 20)

The Warm Home Discount scheme is a key policy in the Government's approach to tackling fuel poverty and reducing the energy costs of fuel-poor households. The Government has extended the scheme to 2025/26, expanded the scheme with the aim of supporting up to one million more households, and increased the value of the rebate to £150 for fuel-poor households across Great Britain.

Following a public consultation in summer 2021, the Government also reformed the scheme in England and Wales from winter 2022 onwards to provide more rebates automatically,

better target households in fuel poverty and remove any “first come first served aspect”. There is a separate Warm Home Discount scheme in Scotland, where these reforms were not possible due to differences in the way Government holds data on properties.

The reformed scheme in England and Wales prioritises low-income households living in properties assessed to be relatively high cost to heat based on the property characteristics. This is done by applying an algorithm to the type, age, and floor area of the property to identify low-income households living in properties with a high energy cost score. Broadly speaking, older, larger, and more detached properties have higher heating costs.

As a result of these reforms, we estimate that around 560,000 more fuel poor households should receive a rebate, including around 160,000 more households with a person who is disabled or has a long-term illness.

In addition, it is assessed that the proportion of rebates received by households with a disability or long-term illness will remain higher than the proportion of the fuel poor population with a disability and higher than the proportion of the overall population with a disability.

Through data matching between Government departments and energy suppliers, most beneficiaries receive their rebates automatically. All households who meet the eligibility criteria then receive a rebate. The official statistics for the 2022/23 scheme year show that last winter, 95% of recipient households received their rebates this way, with the remaining 5% receiving their rebate following a claim to the Warm Home Discount helpline.

Participating energy suppliers fund the scheme, through domestic energy consumers bills. All suppliers, except for the very smallest, must participate. The Government has therefore set the scheme's spending envelope to balance providing as many households in fuel poverty as possible with meaningful support with their energy bills, whilst keeping the overall costs to consumers manageable. We expect over three million households to receive a Warm Home Discount rebate this winter and the Government continues to explore options to make the WHD more flexible.

Recommendation 4

We urge the Government and energy suppliers to consider implementing a form of social tariff and other measures to protect vulnerable households from being cut off from their energy supplies. We note the challenges vulnerable households can face in benefiting from the energy savings that more energy efficient homes and appliances can bring. We recommend that such a social tariff should also be accompanied with measures that enable energy efficiency improvements. In the longer term, the Government should streamline the various existing schemes into a more targeted form of support for the most vulnerable, especially over the winter months. (Paragraph 24)

The department engages with a range of stakeholders and is continuing to explore options for the best approach to consumer protection, as part of wider retail market reforms.

The Government acted swiftly to provide support to UK households and delivered almost £40 billion of energy bills support through different schemes from October 2022 to March 2023. This experience in delivering household support and the valuable lessons learned are now underpinning Government planning on a range of scenarios for this coming

winter and beyond. There is no clear consensus on what a social tariff is, but it is broadly agreed to mean providing financial support to those who struggle to afford their energy bills. The Government is approaching this in three ways.

- Firstly, for those struggling with cost of living in general, the Government has provided up to £900 this year through Cost-of-Living Payments.
- Secondly, for those who face challenges particularly linked to energy, for example because they live in a poorly insulated home, the Government has provided targeted support such as the Warm Home Discount scheme, which has increased in value and expanded to provide £150 rebates to around 3 million households. The Government is also exploring how we can make the scheme more flexible. Meanwhile, the Winter Fuel Payment provides between £250 - £600 and the Cold Weather Payment provides £25 during very cold weather.
- Lastly, for those who are facing high levels of debt or other issues linked to their energy bills, the Government is working closely with Ofgem and suppliers on the best way to support those customers.

There are also a range of targeted schemes in place to deliver energy efficiency measures to low income and fuel poor households. Schemes include the Energy Company Obligation (ECO), the Social Housing Decarbonisation Fund (SHDF) and the Home Upgrade Grant (HUG). In total, we have allocated around £20 billion to clean heat and energy efficiency over this Parliament and the next.

These forms of energy support play an important role in safeguarding the most vulnerable with their winter energy costs. Government agrees that energy efficiency is also a crucial part in tackling fuel poverty and further supporting vulnerable consumers alongside contributing to reducing energy bills and carbon emissions in line with net zero.

The Government is reviewing the Fuel Poverty Strategy for England and intends to publish a consultation in early 2024 and continues to monitor the situation and keep options under review.

Recommendation 5

In its current form, the Cold Weather Payment is an outdated, old-fashioned scheme. The Government should revise the Cold Weather Payment as follows: to be applicable on a daily rate after a one- or three-day cold-wave below freezing; to be based on the daily minimum temperature and not on an average; and to be provided in advance of forecast cold events. (Paragraph 27)

The Cold Weather Payment scheme makes an important contribution towards the additional heating costs incurred during periods of exceptionally cold weather, between 1st of November and the 31st of March each year. The scheme's design ensures that support reaches those most vulnerable to the cold when they need it most. Those eligible include older people in receipt of Pension Credit, disabled adults and children, and families with children under five who receive an income-related benefit. A payment of £25 is made for every 7 days of severe cold weather. The seven consecutive day period is a clear and reasonable measure of a sustained period of cold weather. Such conditions are likely to lead to extra heating being required. The current temperature trigger used for

Cold Weather Payment is also in line with that used by Local Authorities for their own winter support packages. If a Met Office forecast shows that the temperature is likely to average 0°C or below over the next seven days for a weather station area, the Cold Weather Payment process can start without awaiting actual recorded temperatures. Payments are not recalled if a forecast is not confirmed by recorded data.

Recommendation 6

We recommend that the Government facilitate local authorities to share best practice in delivering the Household Support Fund so that all local authorities, especially those that are smaller and more rural, may learn from those who have delivered this funding effectively. (Paragraph 30)

The current Household Support Fund scheme is running from 1 April 2023 to 31 March 2024. The Household Support Fund is a scheme run by Upper Tier Local Authorities in England to provide discretionary support to those most in need towards the cost of essentials.

The Department for Work and Pensions have already delivered a programme of knowledge-sharing and engagement events with Local Authorities in the lead up to—and throughout—the current Household Support Fund scheme. These events have included regular informational drop-in sessions facilitated by DWP (Department for Work & Pensions) officials, all-LA conference calls, and general knowledge-sharing events focused on specific topics of interest requested by Local Authorities. The sessions have been open to all Local Authorities and are intended to provide Authorities with the opportunity to share good practice. For example, DWP held fourteen knowledge-share sessions in June 2023 this year which included topics such as supporting difficult to reach groups.

Recommendation 7

We recommend that Ofgem consider how it should mandate that all customers, and particularly vulnerable groups, get more time, better attention, and continuity of support from their energy supplier. (Paragraph 34)

And

Recommendation 8

We recommend that energy companies be required to provide, on request, a priority phoneline for trusted intermediaries, charities, and consumer organisations to access support for their clients over the winter months. This should be implemented ahead of this winter. (Paragraph 36)

And

Recommendation 9

We recommend that contact empathy be used as a measure of success in customer service provision by energy companies. This would help to rebuild trust in the sector. (Paragraph 37)

And

Recommendations 10/11

Ofgem and energy companies need to adopt a more proactive culture in improving industry consumer standards. Energy companies should not wait to be enforced to certain standards by Ofgem but should be innovating to improve customer satisfaction and attract more customers. We expect Ofgem to be quicker in challenging energy companies where they are failing to deliver quality customer service. (Paragraph 39)

As the independent regulator, Ofgem is responsible for setting and enforcing the rules on supplier requirements and customer standards. However, this is also a topic that the Government is focused on. At a time when Government, Ofgem and energy suppliers are collectively working to build trust and improve the reputation of the sector, it is imperative that all consumers, and especially the most vulnerable, get the best service possible from their energy supplier. This is a message that Ministers have repeated directly to senior executives from leading energy suppliers and Ofgem during a series of recent meetings, and Ministers will continue to support the development of a more proactive culture in improving standards for energy consumers.

The Government wants to see energy suppliers responding to the needs of their customers and competing to provide high quality and good value service. Ensuring we have a retail market that works better for consumers is a key aspect of the Government's new vision for the retail market, as set out in *Powering up Britain*.

Following Ofgem's recent decision on its consumer standards consultation, Ofgem has announced it will implement new and updated rules to improve ease of contact and support from suppliers from 14 December. These requirements will ensure that this winter: suppliers are available via contact methods that meet customer needs; open at times that meet customer needs; are free for customers that are struggling to pay their energy bills; and prioritise vulnerable customers who need immediate support, or their representatives acting on their behalf. The Government welcomes these new requirements, and in particular their focus on vulnerable consumers. What matters now is that suppliers deliver on these commitments and customers see real improvements.

The Government believes that Ofgem should make use of the full range of levers at its disposal to improve customer standards, including by monitoring the market and developing and maintaining processes that allow the direct examination of consumer experiences, as well as using the data it has access to from regulated companies.

Last year, Ofgem conducted a series of Market Compliance Reviews (MCRs) to look at energy supplier performance. The MCRs covered a range of supplier activities, such as: setting customer direct debits correctly; supporting customers in payment difficulty or debt; identifying and supporting vulnerable customers; providing good customer service; ensuring senior staff at suppliers are fit and proper; and having adequate control of all the assets suppliers need to operate and deliver for consumers. Suppliers received a separate rating for each MCR. Any suppliers with weaknesses were required to create and implement an improvement plan, which was overseen by Ofgem and in some cases companies were issued with fines.

The MCRs demonstrate Ofgem's commitment to taking a more proactive approach to improving industry consumer standards and the Government will continue to work closely with Ofgem to ensure that suppliers are implementing necessary changes.

Recommendation 12

The Government should engage with Ofgem to:

- *revise the standing charge model and replace it with a rising block tariff (also known as a consumption-based tariff) based on per unit cost, which would correlate costs with how much energy a household uses;*
- *make clear to consumers the breakdown of the standing charge between network costs, operational costs, and policy costs; and*
- *remove operational costs from the standing charge, as these should be borne solely in consumer bills.*
- *Suitable mitigations should be adopted to ensure that high-need vulnerable groups are not penalised by the removal of a standing charge.* (Paragraph 46)

The Government has already acted on some aspects of the cost of standing charges. In the Spring Budget the Chancellor announced that the Government would levelise standing charge costs between prepayment meter and direct debit customers, using the Energy Price Guarantee. This measure will be in place until the end of March 2024, and we welcome Ofgem's commitment to find an enduring solution to this, following a request from Government, so that the 'prepayment premium' is ended on a permanent basis.

The Government understands that when households are trying to cut their energy usage to save costs, having a fixed daily element of their bill can reduce their ability to do this. Standing charges are a key component of an overall energy bill and a matter for Ofgem, as the energy regulator. They are designed to recover the fixed costs of providing a live supply to a household. The overall charge is made up of the cost to the supplier of the maintenance of the electricity and gas networks, certain policy costs, metering energy, and some supplier operational costs.

On 16 November, Ofgem published a wider call for input on the standing charge, how it is applied to energy bills and what alternatives could be considered. The energy regulator is now asking charities, consumer groups, businesses, bill-payers, and suppliers for their views on the standing charge, and for proposals on alternatives that could replace it.

However, removing the standing charge and transferring all costs to unit rates would create distributional impacts and potentially a new inequality – consumers with higher usage (such as those with medical equipment needs) would subsidise consumers with lower usage. The Government will work closely with Ofgem as this work progresses.

Recommendation 13

Energy companies must accelerate the rollout of smart meters, possibly by offering financial incentives to customers or tying energy efficiency support with installation of a smart meter, with priority given to the fuel poor. (Paragraph 50)

The Government wants as many households as possible in Great Britain to benefit from smart metering, including those who are fuel poor. To help achieve this the Government introduced a four-year framework of minimum installation targets until 2025, to ensure that energy suppliers continue to install smart meters at scale and drive rollout momentum. Starting on 1st January 2022, the framework gives energy suppliers binding obligations set out in licence conditions, which are regulated and enforced by the Office of Gas and Electricity Markets (Ofgem). The smart meter rollout policy and targets are universal and apply equally across geographies and customer types, and the Government expects energy suppliers to fulfil their regulatory obligations and reach their individual annual minimum requirements.

Overall, the rollout is making good progress, with over 33 million smart and advanced meters in homes and small businesses across Great Britain at the end of June 2023. Latest evidence shows that smart meter installation coverage is progressing evenly across most customer groups. It has progressed faster for the fuel poor, with data from Smart Energy GB (SEGB), the organisation responsible for the national public engagement campaign for the rollout of smart meters in Great Britain, showing that consumers in fuel poverty are slightly more likely than average (55% compared to 53%) to have smart meters.

With smart meters providing access to a wider range of tariffs, accurate billing and helping households reduce energy use, there remains good consumer demand for the rollout to continue to make good progress. Some energy suppliers are offering financial incentives to encourage take up and we expect them to innovate their approaches to demand generation, including by developing new products and services enabled by smart meters to further motivate their customers.

The Government is keen to ensure that the benefits of smart meters are seen alongside energy efficiency improvements. In 2022, Government introduced the requirement that smart meter advice must be provided to all households in receipt of funding from the Energy Company Obligation 4, Home Upgrade Grant, the Local Authority Delivery scheme, and the Social Housing Decarbonisation Fund. This advice is provided by Smart Energy GB and includes versions for consumers considered to be in vulnerable circumstances. Lord Callanan, Parliamentary Under Secretary of State for Energy Efficiency and Green Finance, has written to scheme administrators and installers to highlight the importance of smart meters alongside any energy efficiency measures installed.

The Government has also committed to consult on potential options to further incentivise or require recipients of the Energy Company Obligation Scheme (phase 4) and the Great British Insulation Scheme (formerly ECO+) to request a smart meter installation.