

MoneySavingExpert submission

Energy Security and Net Zero Committee: Preparing for winter inquiry

MoneySavingExpert (MSE) welcomes the opportunity to respond to the Energy Security and Net Zero Committee's call for evidence as part of its "Preparing for winter" inquiry.

Our submission will focus broadly on addressing questions 4 and 5 as below:

- Has Ofgem got its priorities right in addressing customer protection?
- How effective is the Government's approach towards supporting the sector and delivering a functioning energy market?

This submission provides a strong evidence base to demonstrate how vital it is that further intervention on energy support is delivered for consumers this winter and beyond.

In spite of lower energy prices, the unfortunate reality is that – without intervention – many will be paying a similar amount to last winter, if not more, due to the loss of previous Government support. Importantly, prices are still significantly higher than they were before the energy crisis kicked in – and with higher prices predicted to last for a while to come, this crisis is not over.

Here, MSE describes some of the extensive harm that consumers have already faced due to the energy and wider cost of living crisis, and the risks of deepening this damage through lack of action. Moreover, this document holds the Government to account on its commitment in Autumn 2022 to consult on the future of consumer protection in the energy market, and also its promise to consider improvements to the Warm Home Discount scheme ahead of this winter. It also makes the case for Ofgem lowering daily standing charges, with protections in place for vulnerable high energy users.

We would ask the Energy Security and Net Zero Committee to carefully consider the evidence presented here and use this inquiry as an opportunity to highlight the importance of intervention.

This winter will be just as bad as last, and demand for energy help remains worryingly high.

On 20 July 2023, MSE called on the Government to act and go further to support consumers this winter and beyond, alongside Energy UK, Citizens Advice, Fair By Design, and National Energy Action.¹ This echoed earlier calls made by Martin Lewis, founder and chair of MSE, who challenged the Secretary of State for Energy Security and Net Zero, Grant Shapps MP, on Good Morning Britain over lack of action on energy standing charges and lack of support for vulnerable households this winter.² The case for this intervention is clear and is demonstrated throughout this submission.

¹ Energy UK, "Government must switch on to help vulnerable energy customers this winter", 20 July 2023. Available at: <https://www.energy-uk.org.uk/news/government-must-switch-on-to-help-vulnerable-energy-customers-this-winter/> (This and all other links last accessed 25 August 2023).

² MoneySavingExpert.com, "Martin Lewis grills Energy Secretary over lack of action on standing charges and missing support for vulnerable households this winter", 19 July 2023. Available at: <https://www.moneysavingexpert.com/news/2023/07/martin-lewis-energy-support-winter/>

Since it went live in January 2022, MSE's guide titled "What to do if you're struggling to pay your energy bills" has had just shy of 1 million visits.³ This resource outlines potential avenues of support and money-saving options for consumers, from checking what short-lived Government support is available, finding out how energy firms and others may be able to help you, where to go for free one-to-one advice or wider debt help, and general energy-saving and cost-cutting tips.

Separately, our guide "Heat the human, not the home" – providing consumers with desperately sought tips on how to save energy and stay warm with thermals, electric blankets and more – has received 750,000 visits since it launched in April 2022.⁴ As Martin Lewis has made very clear, this guide shouldn't have to exist – and yet it was created before last winter in an attempt to alleviate some of the intense pressures and struggles households were facing.

The demand for these resources is staggering and the sad fact is – as it stands – the prospects for the winter ahead don't look better. From October, a typical dual-fuel household can expect to pay an average £1,923 a year for their energy consumption, a 7% drop on the current Energy Price Cap.⁵ Yet with the loss of previous Government support, such as the £400 non-repayable Energy Bills Support Scheme delivered over winter 2022/23, most low-to-mid energy users are set to be paying a similar amount to last winter, if not more.⁶ And crucially, from January – based on current predictions – prices are likely to go up again by 6%.

Energy costs are still substantially higher than they were before the crisis started, previously sitting at £1,138 a year for a typical household in Summer 2021. The impacts of subsequent price hikes on consumers, and continuing high prices this winter, cannot be understated.

"I sit in the dark and do not turn the heating on, just wear extra clothing to keep warm" – many are really struggling, or cannot cope, with high energy costs.

MSE has sadly heard from many who are really struggling to cope with energy costs, with some taking drastic measures to cut down usage last winter and into this year – and yet still facing unaffordable bills. Some have shared their desperation at having to choose between heating and eating – a situation they'll likely face again this winter if the status quo isn't changed.

National Energy Action estimates that 6.3 million UK adults will be living in fuel poverty from 1 October this year – an increase from 4.5 million in October 2021.⁷ Combined with wider cost of living pressures, more and more people are left struggling or unable to pay even essential bills.⁸ An

³ MoneySavingExpert.com, "What to do if you're struggling to pay your energy bills", Last updated 7 August 2023. Available at: <https://www.moneysavingexpert.com/utilities/how-to-get-help-if-you-re-struggling-with-your-energy-bills/>

⁴ MoneySavingExpert.com, "Heat the human not the home", Last updated 21 March 2023. Available at: <https://www.moneysavingexpert.com/utilities/heat-the-human-not-the-home-save-energy/>

⁵ MoneySavingExpert.com, "Energy bills to fall by 7% as new Price Cap is announced – what you need to know", 25 August 2023. Available at: <https://www.moneysavingexpert.com/news/2023/08/energy-bills-to-fall-as-new-price-cap-is-announced---what-you-ne/>

⁶ MoneySavingExpert.com, "Martin Lewis grills Energy Secretary over lack of action on standing charges and missing support for vulnerable households this winter", 19 July 2023. Available at: <https://www.moneysavingexpert.com/news/2023/07/martin-lewis-energy-support-winter/>

⁷ National Energy Action, "Is the worst of the energy crisis over?", 24 August 2023. Available at <https://www.nea.org.uk/news/worst-of-the-energy-crisis/>

⁸ Joseph Rowntree Foundation, "Guarantee our Essentials: reforming Universal Credit to ensure we can all afford the essentials in hard times", 27 February 2023. Available at: <https://www.jrf.org.uk/report/guarantee-our-essentials>

inevitable consequence of this will be – and already has been – rising levels of consumer indebtedness, which Ofgem is also reporting.⁹

Below is just a snapshot of some of the concerning stories MSE users have shared with us:

- *“Been forced into spiralling depression choosing between food and heating last winter. Can't face another one like that.”* – Female, 35-49, North East England
- *“Struggling on a low income... It is impossible to cut my energy usage anymore. I have Raynaud's but daren't put the heating on.”* – Female, 50-64, Yorkshire
- *“I can't afford to have the heating on in the winter at all.”* – Male, 50-64, South East England
- *“I am currently paying more than 10% of my income [on energy] and that puts me in fuel poverty. I am a pensioner but not eligible for pension credit. I spent last winter feeling too cold because I couldn't afford any more.”* – Female, 65-79, Southern England
- *“It's breaking my heart how much everything is going up! My husband and I both work 45 hours a week and we're struggling so much! It's only going to get worse as the year goes on as our mortgage will come to an end.”* – Female, 35-49, South East England
- *“I am a pensioner on a fixed income. To save money I sit in the dark and do not turn the heating on, just wear extra clothing to keep warm.”* – Male, 65-79, London
- *“My dual fuel bill [is] a huge chunk of my take home pay... It's affecting my physical (as well as mental) health now. Too embarrassed to go to food bank. This surely has to change/improve soon as people are being pushed too far now.”* – Female, 50-64, South West England

All of this goes to show there is a demonstrable need for further support for consumers struggling with energy bills. There is already extensive evidence of significant negative consequences on people's physical, mental and financial wellbeing from the high cost of living, and this picture is only likely to worsen without intervention.¹⁰

The energy crisis is not over, and the Government, regulator and suppliers should work together to make sure energy customers are protected over the coming winter and beyond.

⁹ Ofgem, “Debt and Arrears Indicators: Data”, 30 June 2023. Available at: <https://www.ofgem.gov.uk/publications/debt-and-arrears-indicators>; End Fuel Poverty Coalition, “Surge in energy disconnections and debt”, 30 June 2023. Available at: <https://www.endfuelpoverty.org.uk/surge-in-energy-disconnections-and-debt/>

¹⁰ Money and Mental Health Policy Institute, “Bombarded: reducing the psychological harm caused by the cost of living crisis”, December 2022. Available at: https://www.moneyandmentalhealth.org/wp-content/uploads/2022/12/Bombarded_policy-note.pdf; Which?, “How UK households have been coping with the energy crisis”, 22 August 2023. Available at: <https://www.which.co.uk/policy-and-insight/article/how-uk-households-have-been-coping-with-the-energy-crisis-aS8uN3a3B7k2>; Citizens Advice, “Living on Empty: a policy report from Citizens Advice”, 10 July 2023. Available at: <https://wearecitizensadvice.org.uk/living-on-empty-245f4b9acbe3>

Government committed in its 2022 Autumn Statement to consult on the future of consumer protection in the energy market, including support for vulnerable customers – but these plans are yet to materialise. This needs to be quickly rectified.

MSE and Martin Lewis, alongside many other campaigners including National Energy Action and Citizens Advice, have advocated for an energy social tariff.¹¹ Its existence would ensure protections for the most vulnerable consumers, who can't engage in a competitive market.

In its 2022 Autumn Statement policy paper, the Treasury committed to “work with consumer groups and industry to consider the best approach, including options such as social tariffs” in its plans to develop new consumer protections in energy markets.¹² At the time, Martin Lewis re-iterated his public support for the introduction of a social tariff, as something he has long endorsed.¹³

There is widespread support for this move. Ninety-five charities and non-profit organisations signed an open letter in January 2023 calling for the Government to consider introducing a social tariff.¹⁴ Ofgem chief executive Jonathan Brearley has also spoken out on the regulator's support for exploring a social tariff: “We think there's a case to examine with urgency a social tariff that limits the impact of extremely high prices, which reduces the volatility for a defined set of vulnerable groups.”¹⁵

Time is fast running out on the Government's formal commitment to have this new approach to consumer protection in place by April 2024. The Government has repeatedly said that its promised consultation would be published by Summer 2023, but this document is still yet to emerge at the time of writing. MSE, and many other campaigners, are concerned about this lack of action.

There is clear demand for the introduction of an energy social tariff, and MSE hopes that the Energy Security and Net Zero Committee will use this inquiry as an opportunity to press the Government on its previous commitments to consider such a move.

The Secretary of State must act on his promise to consider improvements to the flawed Warm Home Discount scheme ahead of the coming winter.

In February 2023, an MSE investigation identified sweeping flaws in the recently updated criteria and operation of the Warm Home Discount scheme, meaning tens of thousands of financially vulnerable people were likely slipping through eligibility cracks and finding themselves without support.¹⁶ After

¹¹ MoneySavingExpert.com, “Energy social tariff could save vulnerable households up to £1,500 a year – here's how it could work”, 8 March 2023. Available at: <https://www.moneysavingexpert.com/news/2023/03/energy-social-tariff-now-essential-charity-says/>

¹² HM Treasury, “Policy paper: Autumn Statement 2022”, 17 November 2022. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1118417/CCS102206_5440-001_SECURE_HMT_Autumn_Statement_November_2022_Web_accessible_1.pdf

¹³ <https://twitter.com/MartinSLewis/status/1593216897147109377>

¹⁴ National Energy Action, “Ninety-five organisations call for the introduction of a social tariff”, 17 January 2023. Available at: <https://www.nea.org.uk/news/ninety-five-organisations-call-for-the-introduction-of-a-social-tariff/>

¹⁵ Sky News, “Cost of living: Social energy tariff needed for families that can't pay bills even with government help, Ofgem says”, 23 January 2023. Available at: <https://news.sky.com/story/cost-of-living-social-energy-tariff-needed-for-families-that-cant-pay-bills-even-with-government-help-ofgem-says-12793579>

¹⁶ MoneySavingExpert.com, “Warm Home Discount: Minister promises to look at complaints after MSE identifies 10,000s may be falling through eligibility cracks”, 14 February 2023. Available at: <https://www.moneysavingexpert.com/news/2023/02/warm-home-discount-energy-performance-dwp/>

direct contact between Martin Lewis and Secretary of State Grant Shapps MP, the Minister promised he would look into the complaints and consider improvements to the scheme ahead of this winter.

Winter 2022/23 was the first where the new eligibility criteria for the scheme – a state-backed initiative funded by energy suppliers which sees firms pay £150 each winter to help some of the poorest and most vulnerable in society – was used. The shake-up of previous criteria saw those on non-means-tested disability benefits excluded from the criteria, and others on a low income and certain means-tested benefits now having to prove ‘high energy costs’ to qualify.¹⁷

What this has meant in reality is that many who qualified the winter before, and were still facing financial difficulties in winter 2022/23, no longer had access to the scheme. As one MSE user put it:

- *“Having health conditions, I struggle with body temperature changes 24/7, sometimes needing the heat on even in the summer months, so find my bills are the same over the year and can’t save for the winter months ahead. I used to qualify for the Warm Home [Discount] scheme, but this year was told I didn’t qualify even though my circumstances haven’t changed. It seems the Government have based eligibility on the age of the property so many people no longer qualify for the Scheme based on the changes.” – Female, 50-64, Yorkshire*

Moreover, even some who likely should be getting paid under the new criteria due to being on certain means-tested benefits, faced substantial barriers in securing the payments.

MSE has received many complaints from people about this new system. Some of the issues we’ve identified include the following:

- **High energy usage isn't assessed using bills or energy efficiency – leaving some saying they've been incorrectly told they have 'low energy use'.** The Government uses data from the Valuation Office Agency (VOA) to determine the size, age and type of home you live in, and then uses an algorithm to determine how much you might pay for your energy.

The data doesn't take into account the condition or energy efficiency of homes, or the amount people are paying to heat their homes. People living in newer, smaller homes are less likely to receive the discount – which is flawed given the likelihood that those on lower incomes will tend to live in smaller properties than their wealthier counterparts.

MSE user Rob told us his home was too small to qualify. He said: *"I'm still as cold and as poor as I was last year, except this year I don't get any help."*

- **Where VOA data on your home is missing, you might be asked to provide an Energy Performance Certificate (EPC), but some don't have these – and they come at a cost.** VOA data can be missing because, for example, it may not have been properly recorded or updated.

- *For homeowners:* A legal requirement to provide EPCs only came into force on properties purchased after 1 October 2008, so those who bought a home before then might not have one – with a knock-on impact for renters.

¹⁷ MoneySavingExpert.com, “Warm Home Discount shake-up revealed by Government with 290,000 people losing out and 750,000 added - check to see if you can get it”, 2 August 2022. Available at: <https://www.moneysavingexpert.com/news/2022/03/warm-home-discount-reforms/>

To get an EPC costs between £60-£120, depending on certain factors, making it prohibitive amid a cost of living crisis for those on a low income, especially as the gain itself is only £150. This is especially concerning given there is a possibility someone might pay for an EPC, only to find out they still don't qualify for the support – meaning they have actually *lost* money trying to access the scheme.

MSE made a series of recommendations to Government in February 2023 on potential ways of addressing some of the issues identified, and has been pressing the Department for Energy Security and Net Zero for updates on the progress it has made in working on potential improvements.¹⁸

When Martin Lewis questioned Grant Shapps in July 2023 on a lack of planned energy support for the coming winter, the Minister repeatedly drew on the Warm Home Discount scheme as an example of Government-backed intervention to help struggling customers.¹⁹ If the Government remains insistent on projecting the scheme as its chosen vehicle through which to support customers this winter, it must act at speed to make constructive, tangible improvements which prevent those in need falling through the cracks.

MSE would welcome the Energy Security and Net Zero Committee raising with the Department and Government its commitment to consider improvements to this scheme.

Ofgem must lower daily standing charges – the fixed costs people pay for energy – with protections in place for vulnerable high energy users.

Most people are currently – and crucially, unavoidably – spending around £300 a year just for the facility of having gas and electricity, before having actually used any at all, through the standing charges that are built into their energy tariff.

Because of this, those who are desperate and trying to cut back their energy usage gain minimal advantage from doing so – and our evidence shows that many are facing significant harm as a result. Not only this, but this structure disincentivises low energy use more generally, which works against moves to encourage energy efficiency and low carbon targets.

¹⁸ Some of the options MSE put to the Government in February 2023 to fix the problem at the time included the below:

- Give energy firms discretionary guidance, so those who fall between the cracks can be paid. Instead of using property characteristics – whether taken through the VOA or an EPC – energy bills could instead be used to assess usage. This could be supplier-led, or consumers themselves could provide their bills to the Government or local authorities.
- Scrap the requirement to provide an EPC for homeowners who don't already have one. This would mean those who are struggling to afford one can still qualify.
- Scrap the requirement to provide an EPC for tenants who cannot get one from their landlord or the council. This would help those struggling to get their landlord or council to act in time for the deadline, or who have been told they need to pay for one themselves and can't afford it.
- If the Government can't help those without an EPC, it should delay the roll-out of the changes to ensure those on low incomes who received the Warm Home Discount last winter get it in 2022/23. The Government should then use the time to reform the scheme to ensure all who are eligible get the payment automatically next year.
- Extend the deadline for those struggling to get EPCs in time.

(Some of these were specific to the winter 2022/23 period).

¹⁹ MoneySavingExpert.com, "Martin Lewis grills Energy Secretary over lack of action on standing charges and missing support for vulnerable households this winter", 19 July 2023. Available at: <https://www.moneysavingexpert.com/news/2023/07/martin-lewis-energy-support-winter/>

Martin Lewis has frequently called this a "moral hazard", both publicly and privately in conversations with the regulator.²⁰ He's long campaigned for daily standing charges to be significantly reduced and some of the costs instead to be shifted to the unit rate – meaning your bills would more closely reflect what you *actually* use in practice – with protections in place for vulnerable customers with high energy usage.

Ofgem is currently carrying out a review of its operating costs. As part of this, it can look at how standing charges work and make changes. MSE responded and made a strong case for lowering standing charges based on the evidence and arguments presented here.²¹

Lately, we asked MSE users how they feel about the way standing charges currently work, and over 11,000 people responded.²² Nine in ten – an overwhelming majority – told us they think standing charges should be lowered or scrapped entirely, showing there's a clear appetite for change.

It should be noted that this poll is not of a statistically representative sample, but it strongly highlights how many people are concerned by this issue.

***Figure 1: Should standing charges be lowered or cut and the cost put on unit rates?
(All respondents)***

Value	Percent		Responses
There should be no standing charges, increasing the unit rate	51.3%		5,694
Standing charges should be lowered, increasing the unit rate	39.9%		4,434
They should be kept roughly as they are now	3.1%		341
Standing charges should be increased, to lower unit rates	1.4%		151
I'm not sure	4.3%		480
			Totals: 11,100

Importantly, a move to decrease standing charges should come with proper protections in place for vulnerable high energy users. This includes those with additional needs, such as physical or mental health conditions which lead to greater energy usage. A potential way of doing this would be via an energy social tariff, yet it's difficult to comment on specific support mechanisms without the Government consultation having been published. In the meantime, in order to safely bring standing charges down, we would urge the Government to work closely with Ofgem and energy firms to ensure there are protections in place for higher-consuming vulnerable customers who have greater energy needs.

²⁰ MoneySavingExpert.com, "Martin Lewis: Why are energy standing charges so high? What can be done?", July 2023. Available at: <https://blog.moneysavingexpert.com/2023/07/martin-lewis--why-are-energy-standing-charges-so-high--what-can-/>

²¹ MoneySavingExpert.com, "Response to Ofgem Call for Input: Operating Cost Allowances Review", June 2023. Available at: <https://www.moneysavingexpert.com/content/dam/mse/downloads/Ofgem-Operating-Costs-Allowance-Call-for-Input-MoneySavingExpert-response-June-2023.pdf>

²² MoneySavingExpert.com, "Should energy standing charges be lowered and unit rates increased instead?", June 2023. Available at: <https://www.moneysavingexpert.com/poll/2023/energy-standing-charges/> (Last accessed 18 August 2023).

Interestingly, 87% of those identifying themselves as being in this position that we surveyed still said they would prefer the standing charges to be lowered or abolished.

Figure 2: Should standing charges be lowered or cut and the cost put on unit rates?
(Respondents identifying themselves as having additional needs, such as physical or mental health conditions, which lead to greater energy use)

Value	Percent	Responses
There should be no standing charges, increasing the unit rate	59.0%	532
Standing charges should be lowered, increasing the unit rate	27.7%	250
They should be kept roughly as they are now	3.7%	33
Standing charges should be increased, to lower unit rates	2.1%	19
I'm not sure	7.4%	67
Totals: 901		

Going into the winter ahead, it is imperative that Ofgem commits to act at speed to update this unfair system.

When we asked MSE users about their experiences, many directly described a link between unaffordability and high energy standing charges. We've unfortunately heard lots of stories like the below:

- *"I live on my own and in a pension. Last winter I did not use my heating until it was too cold for me, I sat in blankets or went to bed. If the standing charge was lower I could use that saving in heating my room."* – Female, 65-79, North West England
- *"I try not to use my gas as much as possible because it's so expensive and the standing charges are a big rip off. I'm a very low user... I boil 1 full kettle and what's left put into a flask to use to get washed with or wash my pots."* – Male, 50-64, Yorkshire
- *"I go to bed at 19.00 to keep heating costs down in winter so however hard I try there is always the standing charge on top of my usage."* – Female, 80+, South West England
- *"It seems very unfair that those who need to save money by reducing energy use should be forced to pay such large amounts even if they cut use to nothing."* – Male, 35-49, West Midlands

Others told us in exasperation how they've taken significant steps to cut down their energy usage, only to be confronted with the impacts of high standing charges:

- *"I have multiple sclerosis & have a stairlift which needs to be left on 24/7. Because of my problems there is more laundry than there normally would be for just my husband & myself. We are very frugal, living within our means, however we spend more on standing charge for*

our gas over the year, than we spend on gas we use. This feels very wrong & unfair, especially to a disabled person living just on benefits!” – Female, 50-64, East England

- *“I have reduced my unit usage to the bare minimum due to being disabled and unable to work. Even so, my energy costs have risen enormously, solely due to the significant increase in standing charges. I totally understand that the infrastructure costs money to maintain, but how is it possible encourage people to reduce energy usage when standing charges are as high as they are?” – Male, 35-49, South Scotland*

The current standing charge set-up is fundamentally flawed, and the Committee should use this inquiry as a moment to encourage Ofgem to shift some of the burden in the Energy Price Cap away from standing charges.

About MoneySavingExpert.com (MSE)

MoneySavingExpert (MSE) MoneySavingExpert.com, founded and Chaired by Martin Lewis, is dedicated to cutting consumers' bills and fighting their corner. It is the UK's biggest and most trusted consumer website. For 20 years, campaigning journalism has been at the heart of MSE's mission. The site is behind many notable campaigns, including student finance reform, reducing energy bills, mortgage help, scam ads regulation and helping consumers reclaim an estimated £1bn in bank charges and £12bn in PPI payouts.

With millions subscribing to receive the weekly MSE's Money Tips email and visiting the site monthly, MSE ranks as YouGov's most recommended brand (all sectors) in the UK. It is also, according to Press Gazette, the UK's largest specialist online news publication, with more traffic than many national newspaper sites. In September 2012, the site joined the MoneySupermarket.com Group PLC