

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

First Delegated Legislation Committee

DRAFT WARM HOME DISCOUNT
(MISCELLANEOUS AMENDMENTS)
REGULATIONS 2018

Monday 9 July 2018

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The Committee consisted of the following Members:

Chair: MR ADRIAN BAILEY

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| † Blackman, Bob (<i>Harrow East</i>) (Con) | † Metcalfe, Stephen (<i>South Basildon and East Thurrock</i>) (Con) |
| Charalambous, Bambos (<i>Enfield, Southgate</i>) (Lab) | † Owen, Albert (<i>Ynys Môn</i>) (Lab) |
| † Cleverly, James (<i>Braintree</i>) (Con) | † Perry, Claire (<i>Minister for Energy and Clean Growth</i>) |
| † Evennett, Sir David (<i>Bexleyheath and Crayford</i>) (Con) | Phillips, Jess (<i>Birmingham, Yardley</i>) (Lab) |
| Godsiff, Mr Roger (<i>Birmingham, Hall Green</i>) (Lab) | † Robinson, Mary (<i>Cheadle</i>) (Con) |
| † Harris, Rebecca (<i>Lord Commissioner of Her Majesty's Treasury</i>) | † Smith, Nick (<i>Blaenau Gwent</i>) (Lab) |
| † Hayes, Mr John (<i>South Holland and The Deepings</i>) (Con) | Stephens, Chris (<i>Glasgow South West</i>) (SNP) |
| † Kerr, Stephen (<i>Stirling</i>) (Con) | † Whitehead, Dr Alan (<i>Southampton, Test</i>) (Lab) |
| † Kyle, Peter (<i>Hove</i>) (Lab) | |
| | Sarah Rees, <i>Committee Clerk</i> |
| | † attended the Committee |

First Delegated Legislation Committee

Monday 9 July 2018

[MR ADRIAN BAILEY *in the Chair*]

Draft Warm Home Discount (Miscellaneous Amendments) Regulations 2018

4.30 pm

The Minister for Energy and Clean Growth (Claire Perry): I beg to move,

That the Committee has considered the draft Warm Home Discount (Miscellaneous Amendments) Regulations 2018.

It is a pleasure to serve under your chairmanship, Mr Bailey, and it is nice to be in a cool room to discuss the warm home discount.

The regulations extend the warm home discount, or WHD, scheme until 2021, vitally ensuring that more than 2 million low-income and vulnerable customers receive a £140 rebate on their energy bills in winter, which is when they need it most. This is vital support, and a key policy for tackling fuel poverty. We are committed to tackling fuel poverty—it was a manifesto commitment—and this is part of our package.

The best long-term solution for reducing fuel poverty is to bring down the cost of heating a home by improving its energy efficiency. I have launched a number of interventions towards the aim of eliminating fuel poverty. In the clean growth strategy, we stated the aim of upgrading all fuel-poor homes to band C by 2030. In March of this year, I consulted on focusing all the energy company obligation funding, which is £640 million a year, on low-income and vulnerable households, away from a split between fuel poverty and carbon reduction. We have committed to the continuation of funding for domestic energy efficiency until 2028 at least at current levels, which is an investment of £6 billion over the next 10 years. We have also consulted on proposals to strengthen the existing minimum standard regulations in England and Wales, so that private landlords who own F and G-rated homes must make improvements before letting them. That is part of the wider, longer term aspiration that we set last year to improve as many homes as possible to band C by 2035. However, the energy-efficiency improvement of homes, although the best solution, takes time and some properties, particularly those that are harder to treat—often in rural areas such as the Deveses constituency I am so proud to represent—are left behind. That is why energy bill rebates through the warm home discount continue to play an important role.

This is all part of a package designed by the Government to be on the side of consumers, helping them to reduce their energy costs. We hope that there will be cross-party support for the Domestic Gas and Electricity Tariff (Price Cap) Bill when it comes back to the House in the next few days, as it will protect 11 million households currently on the highest energy tariffs.

The current scheme ensures that 1.2 million low-income pensioners in receipt of pension credit guarantee credit receive an automatic rebate of £140 on their energy bills and that more than 1 million more low-income and vulnerable households receive the rebate following an application to a participating energy supplier. In recognition of the success of the scheme, in the 2015 spending review we committed an annual £320 million to it, index-linked until 2021—rising with inflation. However, the regulations that underpin the scheme expired in April and therefore we are all gathered here today—I sound like I am at a wedding—to debate extending the scheme until 2021.

It is important to note that the extension to the regulations will not inhibit any future reform of the scheme. Colleagues will know that we intend to consult later this year on a number of changes from next year, including expanding the successful data-matching process that helps customers who may be eligible for the scheme to access it without having to go through a consumer application process, and also considering targeting the scheme more effectively by making use of the best possible data that the Government may collect and hold, obviously with the clients' permission. To do that we need primary legislation and I am delighted that the data-sharing powers under the Digital Economy Act 2017 are expected to come into force before the summer recess.

The regulations we are debating today introduce a key change to the scheme. I have decided that more energy suppliers should be required to offer the warm home discount to customers so that from winter 2019¹ about 99% of the domestic market will be covered by obligated suppliers. Historically, a small supplier below the 250,000 customer account threshold did not have to offer the warm home discount, but we have decided that that threshold should drop to 150,000 customer accounts between 2019 and 2021. We want to step the threshold down gradually to give small suppliers, many of which are recent entrants to the energy market, time to put the right processes in place. The impact of the threshold will be reviewed, and if the scheme continues beyond 2021 we would expect it to be reduced further.

However, it is important to note that these regulations do not make significant changes to the scheme eligibility for winter 2018. This winter, I want to prioritise the safe and timely delivery of the rebates. That will mean that all eligible pensioners on pension credit guarantee credit would continue to receive a discount of £140 on their bills.

These regulations make only small changes to the eligibility for the broader group—the part of the scheme for which customers have to apply—because it will now include universal credit recipients, to reflect welfare changes. However, we believe there is more room for more innovation and industry-led projects to identify fuel-poor households and provide the most suitable package of advice and measures. So I have decided to increase the spending cap on industry initiatives from £30 million to £40 million. We are also expanding the list of activities allowed under the industry initiatives scheme to include, for example, the provision of financial assistance with energy bills for households that are not eligible under the core group or broader group for the warm home discount.

For example, those could be households that are not on benefits but are particularly at risk of fuel poverty.

1. [Official Report, 4 September 2018, Vol. 646, c. 2MC.]

We all have such households in our constituencies, for example households that may have a member with a long-term illness or disability, or with other needs. The energy company will now have the opportunity to help. However, the total will be limited to £5 million overall and up to £140 per household, which is equivalent to the value of the rebate.

We want to ensure that these initiatives focus on support to reduce bills for the long term, not just as a one-off, for example through energy advice or energy debt assistance. The regulations will continue to reduce the cap on the spending allowed on debt write-off from £12 million to £10 million, and to continue to reduce it in future years, to £8 million in 2019-20 and to £6 million in 2020-21.

Albert Owen (Ynys Môn) (Lab): The regulations cover England, Scotland and Wales. Has the Minister had consultations with Welsh Ministers, because the definition of “fuel poverty” in each of those countries is different? Also, may I ask about a very important issue, because we will be debating Northern Ireland tonight? Is there a comparable scheme in Northern Ireland? If there is, will it be administered under the budget that we will be debating this evening in the main Chamber?

Claire Perry: While I am finishing my speech, I will look to my officials to give me specific answers to those questions, but I thank the hon. Gentleman for the intervention and I am always very keen to work with what are a series of really innovative initiatives in the devolved Administrations. I have seen at first hand some of the best practice there and we can all share it and learn from it.

To conclude, the affirmative regulations that we are considering today will provide vital support for low-income and vulnerable customers to keep warm for the next three winters. The changes we propose will mean that more suppliers will be required to provide assistance to their eligible low-income customers, enabling suppliers to spend more on industry initiatives to provide innovative and long-term bill support to households in need. I commend the regulations to the Committee.

4.38 pm

Dr Alan Whitehead (Southampton, Test) (Lab): It is a pleasure, Mr Bailey, to serve under your chairmanship this afternoon. You remarked earlier that I was slightly early for proceedings this afternoon; I ran all the way to get here early and I have just about recovered from my exertions, so that I can contribute to the debate. Also, I concur with the Minister that it is rather nice to be in slightly cooler surroundings, under present circumstances.

To put the Committee out of its misery straight away, I will say that we do not intend to oppose this affirmative statutory instrument today; on the contrary, broadly speaking we very much welcome it, because of the continuity it gives to the warm home discount over the next period and the extension that the statutory instrument provides for the annual warm home discount rounds. As the Minister said, we are up to round seven and this measure will provide rounds eight, nine and 10, in a confirmed way.

However, I have one or two questions that I would appreciate some clarification on from the Minister, in

the context of that general support. The first question relates to the fact that although we are gathered today to approve this affirmative statutory instrument, we are doing so four months after the end of year seven, so we are confirming what will happen in year eight when it has already begun. The regulations indicate that people who are still receiving a warm home discount as if it were year seven—I assume there are such people—should be incorporated into year eight. I am not sure that is a satisfactory way to proceed, because the regulations should have been introduced before the end of year seven. There may be good reasons why that was not the case, but we are where we are.

Can the Minister confirm that people who are receiving a warm home discount under year seven will be incorporated into year eight? What effect will that have on the overall budget headings for the years ahead that the regulations set out? Will any anomalies arise in the year eight budgeting that would not have been the case if the transition from year seven to year eight had been carried out under the normal procedure?

The Minister set out the welcome news that considerations have not only been under way, but found their way on to a piece of paper, to reduce the obligation threshold for energy companies with liabilities to provide customers with access to a warm home discount package. As hon. Members will know, the present threshold for a company is 250,000 customers. We have seen some recent activity in the field of smaller energy companies—what used to be known as the insurgent energy companies, but are increasingly middle-sized—that are within the obligation, and of very young energy companies that are outside the obligation, some by quite a long way. There have been suggestions that some of those companies are demurring at the point of reaching 250,000 customers to retain their position outside those obligations.

Between 2019 and 2021, the obligation will be progressively reduced from 250,000 to 200,000 and then 150,000, which is still quite a large number. Although that is a welcome change, it will not resolve the problem of people who would be eligible for a warm home discount who may happen to switch from an obligated to an unobligated company without being aware of that, or perhaps as a result of a compulsory switch, as we have found on more than one occasion when energy companies effectively sell parts of their customer base to other energy companies, and who lose their entitlement to claim a warm home discount in the process.

If they find out that they have lost their warm home discount as a result of switching and try to re-switch, they find that because the warm home discount scheme is organised annually and there is a closing date for claiming it, they have lost the ability to reclaim their discount within the year of the scheme. Customers can be in a position where they have given up their warm home discount, tried to claim it again and found they are not eligible, so they do not have a warm home discount for the period. The reduction in eligibility not to provide the discount will help to some extent with that problem, but it will not completely resolve it.

As I am sure the Minister knows, several companies below the obligation level voluntarily take part in the warm home discount arrangements. I wonder whether she might consider taking some initiative either to encourage those companies that are below the obligation limit at least to take part in the obligation, or to work out some

[Dr Alan Whitehead]

method for ensuring that those customers who have apparently given up the warm home discount, whether by accident or by force of transfer, can be placed back within the warm home discount one way or another while the process of reducing the obligation takes place. I would be interested to hear whether she has any thoughts in that particular direction.

A final, wider thought is that, while the Minister mentions the role of the warm home discount in the wider plan to ensure that as many homes as possible are as energy efficient as possible in the shortest time possible—indeed in the clean growth plan there is a suggestion that homes in the rented sector should be band C by 2030 and all homes should ideally be band C by 2035—the extension of the warm home discount, welcome though it is, just brings the discount period up to the ending of the renewable heat incentive and to only one year away from the conclusion of the energy company obligations. We have a number of measures relating to the aim the Minister set out of bringing homes up to scratch in energy efficiency; as she says, energy efficiency is by far the best way of fighting fuel poverty in the long term. We have three schemes that now have a cliff edge; in this instance, the scheme will be pushed back by several years, but nevertheless it is in the 2020s.

That is a long way away from getting anywhere near the targets that we need to get near and achieving that uprating of energy efficiency for properties across the board, fighting both the climate change concerns of inefficient homes and, as importantly, their fuel poverty implications. Can the Minister tell us anything this afternoon about the longer term plans she has to ensure that this and other schemes in the relatively near future will have a much longer timescale ahead of them, so that they can play a longer term part in fighting that campaign for fuel efficiency and against fuel poverty, and get us to those targets at the earliest time possible?

4.48 pm

Claire Perry: There was a time when our colleagues in the Scottish National party used to join us, but no longer; well, there we are. I thank hon. Members for their contributions, and I will try to answer the questions.

The hon. Member for Ynys Môn, if I am saying that correctly, raised an important point about devolved matters. There are different definitions of fuel poverty in Wales and Scotland, as he will know. We have worked closely with the Welsh and Scottish Governments, and this policy supports households who fall into those categories with both the energy company obligation and the warm home discount. Scotland has devolved powers under the Scotland Act 2016 to develop a further

scheme if it wishes to, but has not yet used them. This is also a devolved matter for Northern Ireland; it does not have its own warm home discount scheme and the primary powers for the warm home discount do not cover Northern Ireland, but because it is a devolved matter that is a matter for the Government there.

The hon. Member for Southampton, Test, who is a friend, raised the question about the year seven and year eight timing. This scheme will have no impact on year seven, because that has effectively completed and customers will start to get rebates again from October. As he will know, we sometimes get letters from constituents saying, “Why is it taking so long?” It can sometimes take up to several months, which is not always desirable. He asked some important questions about the clustering of companies around the sub-250,000 level. Companies that are not so new into the market and have many years of standing have deliberately chosen to cluster at that level; in my view, that means customers who might wish to switch have a less than optimal array of companies to switch to. That is exactly why we have decided to drop the threshold.

An equally important question relates to what the hon. Gentleman said about people who have switched and lost the discount. There is currently no means, and we are not proposing means, for them to claw it back. Because it is an automatic rebate, people do not always know they are getting it, but I am keen that, when people make a switching decision, there is information about which suppliers do and do not offer the warm home discount. I have written, and I think I copied the hon. Gentleman into the letter—if not, I will do so—to the largest price comparison websites, urging them to make it clear to customers who might be looking to switch where they should look to find out whether they were in receipt of the warm home discount and how to take that into account when they make a switching decision.

The hon. Gentleman also asked about cash going forward. This quite substantial allocation of money was part of the 2015 spending review, so that will be a matter to propose for the next spending review. I emphasise again that this plus ECO, which is over £640 million a year, are substantial investments in tackling the issue of fuel poverty, which bedevils so many households. I think that covers off all the points I wanted to make in reply, but I will ensure he gets a copy of the letter.

I thank the Opposition for their support; this is an important scheme and one that we want to see extended as quickly as possible to as many people as possible. I therefore commend the regulations to the Committee.

Question put and agreed to.

4.51 pm

Committee rose.