

CIH response to ESNZ Select Committee on preparing for the winter

The Chartered Institute of Housing is the professional body for people who work and have an interest in housing. We are pleased to have the opportunity to respond to the Committee's inquiry on preparing for the winter. We have answered only two questions, to which we feel we can give an informed and evidence-based response. (We have submitted separate [evidence](#) to the Work and Pensions Committee on benefit levels.)

What more could have been done to prevent price shocks being passed to consumer bills?

1.1. The energy price cap was introduced by Ofgem on 1 January 2019 to prevent consumers from being overcharged for their energy. The cap is based on a methodology which sets a maximum price consumers can be charged for gas and electricity. In an era of relatively low wholesale prices, the price cap was a welcome mechanism that prevented consumers, especially those less able to proactively engage in the energy market, from being charged exorbitant amounts for their energy.

1.2. However, the price cap methodology focuses on providing a fair price based on the cost to energy suppliers and energy networks of providing energy to domestic homes. A fair price is not and has never been the same as an affordable price. Even before energy prices began increasing substantially, which arguably began with an increase of the price cap from £1,277 in October 2021 to £1,971 in April 2022, [government data](#) shows that over 3 million households in England were living in fuel poverty in 2020.

1.3. The support provided by government in the form of the Energy Bills Support Scheme and other cost of living payments was enormously helpful in enabling people on the lowest incomes to continue to access the energy they needed. Further to this, two specific actions could have been taken to prevent these price increases from being passed immediately onto consumer bills.

1.3.1. The design and implementation of a social tariff in the energy market. This could have been set below the price of the cheapest available deal on the market, and designed to ensure that those on the lowest incomes and most vulnerable to the negative impacts of the cold would have been continually protected from increasing prices. While we understand that a social tariff has only recently been the focus of government and Ofgem deliberation, there are precedents to a social tariff that could have been considered more urgently in 2021. Most notably, in April 2017, Ofgem established a safeguard tariff for prepayment meter customers to protect them from being overcharged for their energy. In February 2018, this was extended to other vulnerable households. While this tariff was discontinued after the introduction of the energy price cap, its urgent restoration and reintroduction at a level below the price cap and Energy Price Guarantee could have further protected lower income households from the worst impacts of increasing prices.

1.3.2. Better designed support for heat network customers, and other customers without a relationship to a domestic energy retail supplier. The energy price cap does not cover most heat network customers, who have experienced price increases of [up to 700 per cent](#) as rising costs were passed through to their bills. There are approximately [480,000 heat network customers](#) in the UK, and as well as being unprotected by the price cap, they did not receive government support last winter through the Energy Price Guarantee and the Energy Bills Support Scheme because they do not have a relationship with a domestic energy retail supplier. While support was eventually introduced for these households in the form of the Energy Bill Relief Scheme and the Energy Bills Support Scheme Alternative Fund, this support was confirmed much later than the support for other domestic customers. Furthermore,

member engagement undertaken by the National Housing Federation indicated that the application process was often very difficult for social housing providers and their residents, and [latest government estimates](#) from June 2023 show that only 17,710 applications to the Energy Bills Support Scheme Alternative Fund by heat network customers have been successfully accepted and paid. Acting earlier and having better means of providing support to heat network customers would have protected them from significant increases in energy costs, increases that they were typically unable to afford.

How should energy companies respond if customers cannot pay their bills and what actions should they not have recourse to?

2.1. One of the key mechanisms that energy companies currently have recourse to if customers cannot pay their bills is the installation of a prepayment meter. Prepayment meters are [often installed](#) involuntarily as a means of recovering debt, whereby a certain proportion of debt is recovered automatically each time a customer tops up their meter. If a customer does not have the funds to top up their meter, they will be unable to access or use gas and/or electricity in their home. This is typically referred to as 'self-disconnection' from supply.

2.2. As the energy crisis accelerated in 2022, [research by Citizens Advice](#) found that 3.2 million people were cut off from their electricity supply because they could not afford to top up their prepayment meters. Self-disconnection was found to be at least a monthly occurrence for 2 million people, and 18 per cent of households who ran out of credit on their pre-payment meters went on to spend two days or more without any energy supply, leaving them unable to turn the heating on or cook a hot meal.

2.3. Statistics [from late 2022](#) show that 64 per cent of prepayment metered households are occupied by a vulnerable person, and that 51 per cent are occupied by someone with a long-term health condition or disability. Although it is not known how many of these were involuntary installations, notionally energy companies are supposed to follow a set of guidelines to restrict the involuntary installation of prepayment meters in the homes of vulnerable people. However, [investigative reporting](#) by the i Paper and the Times revealed that energy firms have not been following the rules.

2.4. Over the winter of 2022/23, the involuntary installation of prepayment meters was temporarily paused while the practice was investigated. This culminated in a [new code of practice](#) ('the code') being published by Ofgem, which aimed to govern the practice of involuntary prepayment meter installations more tightly. At the time of writing, [Ofgem is consulting](#) on the integration of this code into supplier licences.

2.5. The code is premised on a division of vulnerable people [into two main categories](#). The first category is defined as 'do not install'. This group includes households requiring a continuous supply for health reasons; households with a very elderly occupant (+85), without support in the house; and households with severe/chronic or terminal health conditions. The second category is defined as 'further assessment needed', whereby "*suppliers must give due consideration*" to certain personal circumstances and characteristics in making their assessment of whether it is safe and reasonably practicable to forcibly install a prepayment meter. This group includes households with an occupant under the age of 5, or over the age of 75; serious mental/developmental health conditions, respiratory conditions, and mobility limiting conditions; and temporary situations, such as pregnancy or bereavement.

2.6. Ultimately, the code as currently drafted means that energy companies can continue to install prepayment meters in the homes of vulnerable people under warrant, specifically those classified as

‘further assessment needed’. CIH believes that the evidence of involuntary installation leading to customer harm is sufficient to support a full ban on the practice. To provide three examples:

2.6.1. Ofgem’s code defines “*serious mental/developmental health conditions (such as clinical depression, Alzheimer’s, dementia, learning difficulties, Schizophrenia)*” as requiring further assessment only. There is [considerable evidence](#) that there is an association between fuel deprivation and mental ill-health, [especially for parents of young children](#), and [some evidence](#) that a lack of access to adequate energy services (e.g. heating, lighting, cooking) has detrimental impacts for children and families with autism.

2.6.2. Ofgem’s code defines “*children under 5*” as requiring further assessment only. There are [established links](#) between cold homes and detrimental health outcomes for children under the age of 5, and there are [broader connections](#) between prepayment meter usage and dietary deficiency. Children living in cold homes are also [more likely](#) to miss days at school or be unable to complete homework if they live in a cold or underheated home.

2.6.3. Ofgem’s code defines “*other serious medical/Health Conditions (such as neurological diseases (Parkinson’s, Huntington’s, Cerebral Palsy), respiratory conditions (COPD) and mobility limiting conditions (Osteoporosis, Muscular Dystrophy, Multiple Sclerosis)*” as requiring further assessment only. A [detailed review](#) of the links between cold homes and health has established that most if not all of these conditions are detrimentally affected by the cold.

2.7. Furthermore, as the professional body for housing with many members working in the social housing sector, CIH has an ongoing concern that social housing residents are particularly vulnerable to the detrimental impacts of involuntary prepayment meter installation. Statistics from the government’s [latest English Housing Survey reports](#) show that, in 2021/22:

2.7.1. 54 per cent of social rented households had at least one occupant with a long-term illness or disability, compared to 30 per cent in owner occupied or private rented homes.

2.7.2. Social housing residents are more likely to be financially vulnerable, with almost half in the lowest income quintile.

2.7.3. Social housing residents are more likely to be lone parents with dependent children than owner-occupiers or private renters.

2.7.4. Those aged 65 and above are more likely to be in social housing than in private rented accommodation.

Put differently, social housing residents are more likely to be vulnerable to the negative health impacts of cold indoor temperatures caused by self-disconnection but are not specifically protected by Ofgem’s code.

2.8. This is a particular concern given that there is evidence that approximately [4 in 10](#) social rented homes are fitted with a prepayment meter, and evidence gathered by one housing association suggests that as much as [18 per cent](#) of these may have been forced installations to recover debt. [Further evidence](#) from the housing association Orbit shows that they have twice as many households (29 per cent) using prepayment meters compared to the UK average (14 per cent) and of these, 32 per cent of customers said they had been unable to afford to top up their meters at least once over the last 12 months.

2.9. CIH therefore believes that the evidence is strong enough to support a full ban on the involuntary installation of prepayment meters. The evidence shows that the risk of harm that arises from involuntary installations is sufficiently detrimental to vulnerable households to merit its discontinuation as a practice. Amendments have been proposed to the Energy Bill, which at the time of writing is currently at Report stage awaiting third reading, that will prohibit involuntary prepayment meter installations, but these have been repeatedly rejected by the government. As a large, and therefore infrequent, piece of primary legislation, CIH believes that the Energy Bill is an unmissable opportunity to intervene in an unjust, harmful practice in the energy market. Unfortunately, it seems likely that the government will allow this opportunity to be missed, allowing the practice to continue this winter.

2.10. CIH would also welcome a wider review of the prepayment meter regime, which could have as its core foci the reform of standing charges, the suitability of current emergency credit allowances, how to reverse forced installations and return customers to their original payment method, and how to accelerate the smart meter rollout to legacy prepayment customers.

2.11. The involuntary installation of prepayment meters is an issue that has been exacerbated by the energy crisis, the wider unaffordability of energy, and the growing incidence of household energy debt. In addition to banning involuntary installations, CIH feels the following actions are necessary to support people through this winter and beyond.

2.11.1. The renewal of financial support to help eligible households with high energy costs in the winter of 2022/23. Although wholesale prices are falling and Ofgem's energy price cap has reduced slightly, energy bills are still [approximately twice pre-pandemic levels](#). Government should therefore consider repeating the financial support it has provided to eligible households over previous winters.

2.11.2. The introduction of a '[Help to Repay' debt support scheme](#). As of Q1 2023, total domestic energy arrears [stand at £2.25 billion](#) – an increase of £460 million since the end of 2021, and the average amount of debt among customers without an arrangement to repay has risen sharply in recent months – up by £346 for electricity and £246 for gas in the past year. A Help to Repay scheme would offer support to eligible people struggling to repay energy arrears in two ways: firstly, it would offer debt relief in the form of writing off energy arrears, and secondly, it would offer repayment matching, for example by matching each pound repaid with an equivalent amount of debt relief, or providing debt relief on remaining arrears after a certain period of ongoing payments.

2.11.3. Accelerating the smart meter rollout and ensuring that as many households as possible with legacy prepayment meters are transitioned to smart meters. Although we are not aware of reliable data on the current number of legacy prepayment meters, [one report](#) has noted that there were more than 2 million households still using legacy prepayment meters in 2020. Households with legacy prepayment meters faced considerable challenges in obtaining and redeeming fuel vouchers through the Energy Bills Support Scheme (EBSS), with [government data suggesting](#) over 1 million vouchers were ultimately not redeemed. Smart metered households had their EBSS payments applied remotely and automatically. If government support with energy bills is renewed this winter, ensuring more households can access smart meters and receive this support automatically will be important.

2.11.4. Accelerating the delivery of energy efficiency in domestic homes. CIH has responded separately to the ESNZ inquiry on heating our homes on this matter, but would emphasise here the centrality of energy efficiency to bringing down bills.

2.11.5. Longer-term (i.e. in April 2024), the introduction of a social tariff in the energy market. This would be set below the price of the cheapest available deal on the market, and ensure that whatever level wholesale energy prices reach in the future, those on the lowest incomes and most vulnerable to the negative impacts of the cold would still be able to keep their homes warm and lit at an affordable cost. [Analysis by CIH](#) has noted that a social tariff could reduce fuel poverty rates in local authority and housing association homes by over 50 per cent and have several co-benefits for social landlords. The government was set to consult on consumer protection in the energy market, including a social tariff, before summer recess, but this was not released. Progressing the design of the social tariff and consulting on it should be a core priority for government, and it must not be delayed any further.

About CIH

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world. Further information is available at: www.cih.org

Contact: Matthew Scott, policy and practice officer – matthew.scott@cih.org

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