

Energy Policy Matters: Targeted bill support

Government support helped the UK's domestic energy customers navigate an unprecedented period of energy price volatility – but intervention will be needed again this winter and beyond. The Government needs to consider targeted support measures that help the people who need it most, while delivering the best value for the taxpayer.

The background

- The energy crisis has been impacting UK households for two years. National Energy Action (NEA) estimates that as of 1 October 2023, 6.3 million UK households were living in fuel poverty.¹
- Energy is an essential service. For vulnerable customers heating their homes, energy costs are not only a financial strain but can also be a threat to their physical and mental well-being.
- Government intervention in the market during the period of high prices helped many households. More than £33 billion was spent across the Energy Price Guarantee and the Energy Bills Support Scheme (EBSS). Even with this unprecedented level of support, millions of households still struggled to afford their energy bills, which are still a third higher than pre-crisis.
- To address this, the Government should consider an enduring, targeted support mechanism to reach those most vulnerable.
- The Government committed to consulting on targeted support in the 2022 Autumn statement.² Industry, consumer groups and charities remain disappointed that this has still not been received.

The challenge

- Energy bills remain unaffordable for many UK households, remaining around 80% higher than pre-pandemic levels.
- Energy suppliers currently invest tens of millions of pounds annually³ into voluntary programmes to assist their customers. In addition, suppliers covering around 90% of the UK domestic market are signed up to Energy UK's Vulnerability Commitment.⁴ However, suppliers cannot solve the wider affordability crisis facing UK households on their own.
- Additionally, the industry is dealing with unprecedented levels of debt. Ofgem's most recent data shows that customer debt and arrears in energy are now around £3.1 billion. This is double the level at the start of 2020. As this level of debt increases, a greater proportion will be unpaid.
- Bill support, for example through the Warm Home Discount, is currently funded through levies on customer bills. This is regressive and not the fairest way for customers, especially those most vulnerable.
- The Government's publicly funded EBSS provided temporary relief through the energy crisis. The urgent need for support meant it was not targeted, and received by households who may not have needed it. A targeted support mechanism could have lowered the public spend whilst providing support to those households who needed it most.
- However, there are ongoing challenges around the targeting of energy support, such as access to data and data sharing whilst aiming to avoid cliff edges for those customers who are close to the eligibility threshold.

What's the solution?

- Support needs to move away from unsustainable one-time universal interventions by establishing a targeted support mechanism whilst also addressing the underlying issues of energy affordability.
- The Government should urgently follow through on a consultation addressing targeted, enduring bill support for vulnerable customers.
- This support needs to be funded progressively through general taxation, rather than the regressive current option of funding it through bills.
- It should be underpinned by improved data and data-sharing capable of targeting support based on household income data.
- Suppliers should deliver it, but the Government must determine eligibility.
- It also needs to be designed in a way that maintains the ability and incentive to engage the market, ensuring its long-term sustainability.

¹ [HM Treasury \(2022\), Autumn statement](#)

² [National Energy Action \(2023\), What is Fuel Poverty?](#)

³ [Energy UK \(2024\), Additional support for customers](#)

⁴ [Energy UK \(2023\), Vulnerability Commitment](#)