

Energy

(Regional extent varies)

March 2022

Everyone should be able to live in a warm, energy efficient home, and the energy market should work in the interests of consumers.

Introduction

Age UK is committed to ensuring older people feel able to sufficiently heat and power their homes. Fuel poor older households are some of the most vulnerable in the energy market. With energy prices increasing concerted Government action is needed to ensure older people struggling on a low fixed income have sufficient support to meet their heating needs.

Key issues

In England, someone is determined to be in fuel poverty if their income is below the official poverty line after fuel costs are factored in, and they live in a property with an energy efficiency rating of band D or below. Around 1 in 10 older English households (970,000 total) are in fuel poverty, representing an estimated 1.4 million older people. With energy prices increasing, Age UK anticipates tens of thousands more will become fuel poor over 2022.

Older people receive the Winter Fuel Payment (WFP), which is much valued, however the standard rate of £200 for a couple under 80 has remained the same for over 20 years. The Government and sector regulator, Ofgem, have a range of other policies in place to help people with their energy bills. These include the Energy Price Cap, Warm Home Discount (WHD), and Cold Weather Payment (CWP). However, with average energy bills expected to hit around £2,400 from October 2022 existing protections and support are insufficient to meet the scale of the current energy price crisis and the longer-term needs of older people.

Ofgem's Price Cap protects 15 million consumers on standard variable tariffs from paying more than is fair and cost reflective for their energy. In 2021, increases in wholesale energy prices and supplier collapses led Ofgem to propose changes to the Cap. Age UK has called for consumer protection and improved regulatory oversight to be central to Ofgem's handling of the current crisis, and that the Cap must not be allowed to increase during the colder months.

The WHD provides £140 to help older people claiming Pension Credit and others receiving low-income benefits with their energy bills. To help people when temperatures get exceptionally low, Pension Credit recipients also qualify for the CWP. Approximately four out of ten of those entitled to Pension Credit do not receive it, which means they miss out on linked financial support like the WHD. It is imperative the Government do more to ensure those eligible for benefits receive them.

Wider support for improving domestic energy efficiency was announced in the Government's Heat and Building Strategy (H&BS). While the H&BS is welcome, the funding announced falls short of

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what is required to ensure a fair transition to net zero for fuel poor households. Age UK supports the Government's commitment for the UK to achieve net zero greenhouse gas emissions by 2050. But this transition must be fair and sustainable with appropriate support and incentives.

Policy recommendations

- In times of high volatility in energy prices the level of benefit payments must be kept under constant review to ensure everyone has the confidence to keep their heating on. Emergency payments to low-income older households must fully mitigate energy bill increases.
- The Government, regulators and industry must ensure that households on a low or moderate income, including those who do not qualify for or claim their entitlement to means-tested benefits, are able to heat their homes.
- The Government must consult on the reintroduction of social tariffs into the energy market. These tariffs must sit alongside existing consumer support including the WHD and Price Cap.
- The Price Cap is an essential consumer protection for older people, shielding them from even higher energy prices, particularly during the winter. The Government must demonstrate its support for the Price Cap by legislating for its extension beyond 2022.
- Changes to the Price Cap which allow it to increase during colder periods are unacceptable. Ofgem's reforms must avoid price increases from mid-November to mid-March.
- Ofgem must commission an independent review into its regulatory framework. If better enforcement of existing rules, improved regulation, and higher standards thresholds for market entry are sufficient to avert future crises then we question the need for Ofgem to enact multiple complex Price Cap and energy market reforms.
- We recommend that the Energy Retail Market Strategy is rewritten to better account for consumer needs and reflect recent changes in the market, including the reduced short-term viability of supplier switching as an effective mechanism for keeping on top of energy bills.
- Age UK supports a fair transition to net zero. Government funding must be sufficient to meet their ambitions, ensuring that low-income and fuel poor older households have enough support to afford any required energy efficiency and heating system improvements, and consumers do not pay more than their fair share.

Want to find out more?

Age UK has agreed policy positions on a wide range of public policy issues. Our policies cover money matters, health and wellbeing, care and support, housing and communities. There are also some crosscutting themes, such as age equality and human rights, age-friendly government and information and advice.

www.ageuk.org.uk/our-impact/policy-research/policypositions/