

# Help with energy bills: experiences in Wales

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## Summary

As the cost of gas and electricity has soared, the number of families struggling to make ends meet has increased dramatically. Although prices have stabilised somewhat over recent months, they remain significantly higher than they were in 2021, with no indication that bills will fall back to those levels in the immediate term.

To counter the surge in poverty and hardship that has resulted from rising energy costs, a range of support measures were put in place to support people struggling with their living costs. One such set of measures has been support schemes provided by energy suppliers. Whilst such schemes pre-date the cost-of-living crisis, the recent surge in energy prices has seen their importance increase significantly. Despite this, relatively little research has been undertaken on the strengths and weaknesses of supplier schemes. This report explores the schemes and identifies areas where they could be strengthened to better support people at times of financial hardship or crisis.

Among the report's key findings is that, whilst energy supplier support schemes can make a real, positive difference to the lives of people struggling with their energy bills, there are substantial shortcomings in how the schemes currently operate. Among the weaknesses are:

1. People are not aware of the support that is available from suppliers. Many suppliers are neither providing comprehensive information about their schemes nor taking adequate steps to publicise their availability.
2. It can often be difficult for people to access the support available. Shifting application deadlines, unclear eligibility criteria and difficulties in engaging with suppliers all act as barriers that prevent people from being able to access help.
3. The value and scale of the support available is not always enough to make a real difference. Reports of support schemes closing for applications early is an indication that the funds invested in them are not sufficient to meet demand. Even where people are successful in accessing support, the impact of schemes such as partial debt repayments can sometimes be mixed.

These shortcomings have a real impact on Welsh communities. They can leave people in financial difficulty, forcing people to choose between heating and eating. They also add extra pressure on already-stretched services, such as advice services, and lead to people relying on other sources of help, such as charitable funds.

There are steps that can be taken to address these challenges. The report's conclusion sets out a range of short- and long-term measures that could be taken to address the issues identified within it.

In the short term we believe that:

1. The UK Government and Ofgem should work together to require energy suppliers to take steps to better promote the support schemes that they currently offer.

2. The UK Government and Ofgem should work together to require energy suppliers to take steps to improve their application processes.
3. The UK Government and Ofgem should work together to require energy suppliers to take measures to ensure greater transparency with regards to each support scheme.
4. Energy suppliers should work with the advice sector to better understand their needs to ensure greater co-operation.

Even if these steps were taken, it is unrealistic to expect energy supplier schemes to solve issues around fuel poverty by themselves. These measures therefore must be taken alongside longer-term actions. Among the actions that should be taken are:

1. The UK Government should put in place an Essentials Guarantee so that the value of Universal Credit is sufficient to provide everyone with a level of income that covers the cost of essentials including energy.
2. The Welsh Government should increase investment in its Warm Homes Programme so that it can operate at greater scale to improve home energy efficiency and reduce fuel poverty. Whilst the new iteration of the programme includes many welcome measures, based on current estimates it will take between 120 and 380 years for the programme to achieve its objectives.
3. The UK Government, Ofgem, and energy suppliers should work together to increase affordability in the energy market for those on the lowest incomes. Amongst the measures that should be considered is the introduction of a social tariff so that people on the lowest incomes can access gas and electricity at more affordable rates.

# 1. Introduction

The cost of gas and electricity has surged over recent years. Despite prices falling in the first two quarters of 2024, average bills remain high in comparison with historic norms. The average yearly bill under the price cap in July 2024 is £1,568, around £500 higher than in summer 2021.<sup>1</sup> Current projections are for prices to rise again by around 10% before the end of 2024 and remain close to that level in the medium term.<sup>2</sup>

Set against this backdrop, it is no wonder that so many households have struggled with their energy bills in recent years. Over the summer of 2022 the Welsh Government estimated that 45% of Welsh households could be living in fuel poverty, including up to 98% of those on low incomes.<sup>3</sup> More recent estimates by Ofgem show that the total reported value of debt owed by billpayers to suppliers now stands at £3.3 billion, having increased by around £1 billion in just one year.<sup>4</sup>

The impact of high energy costs extends beyond people struggling to afford their energy bills. The number of people using foodbanks across the UK has soared in recent years. In 2023/24 the Trussell Trust distributed over 3.1 million food parcels in the UK, a number which has doubled in 5 years.<sup>5</sup> Whilst there are several factors which are likely to have played a role in this increase, the rising cost of energy has undoubtedly been one of them.

To counter the surge in poverty and hardship that has resulted from rising energy costs, a range of support measures have been put in place. One set of measures has been the support schemes provided by energy suppliers. Whilst many of these schemes pre-date the cost-of-living crisis, the recent surge in energy prices has seen their importance increase significantly.

Despite this, relatively little research has been undertaken on the schemes. This report provides an overview of their strengths and weaknesses, and identifies areas where they could be improved to better support people at times of crisis and reduce the likelihood they will resort to rationing their heating or need to turn to foodbanks.

## 1.1 What we did

This report draws on work carried out by the Bevan Foundation in the spring of 2024. There were two elements to our research which were carried out concurrently.

The first was a review of the information available via suppliers' websites. We explored what information suppliers made available about the support they offer, how this was promoted and how easy it was to access. This was undertaken alongside a literature review of energy support schemes and an exploration of relevant regulation and legislation.

Second, we gathered insights from people working in frontline services supporting people in or at risk of fuel poverty. To do this we attended National Energy Action's (NEA) Fuel Poverty Forums in Merthyr Tydfil and Llandudno in April 2024. At these forums the Bevan Foundation ran workshops where attendees were asked to share their experiences of the support on offer from energy suppliers. Advisers were asked to consider how effective they thought schemes were in terms of their accessibility, value, and eligibility criteria.

Over the two days over 90 attendees contributed to our discussions. An option was provided for people to follow up the sessions with discussions via video calls. We would like to thank the NEA for allowing us to attend their forums and for their assistance with this project.

It should be noted that listening to the experiences of people with direct experience of receiving support via energy supplier support schemes and discussions with energy suppliers themselves were outside the project's scope. As such this report aims to provide an overview of some of the key challenges and opportunities for supplier-led support, rather than being a comprehensive analysis.

## 2. Supplier support schemes

Suppliers' support schemes are many and varied. Each energy supplier has its own systems for supporting low-income customers, resulting in dozens of different schemes to consider. Some support on offer is a regulatory obligation, whilst other features are provided on a voluntary basis. However, distinguishing between the two is often a nearly impossible task.

### 2.1 What types of schemes have we looked at?

The support offered by retail energy suppliers to low-income customers can be divided into three broad categories:

**Facilitative Schemes** are schemes that suppliers are under a legislative or regulatory obligation to provide. Supplier discretion as to the administration of these schemes is effectively zero—they are simply expected to use their billing systems to facilitate them. For example, the UK Government's Energy Bill Support Scheme provided a discount of £400 on all gas and electricity bills over the winter of 2022, with funding provided by the UK Treasury. Suppliers had little to no discretion as to how this scheme operated. As such we do not consider these types of schemes to fall within the scope of our project.

**Administrative Schemes** are schemes that suppliers are under a legislative or regulatory obligation to provide but over which they do retain significant discretion as to how they are administered. There are two broad schemes that fall under this category, the Energy Company Obligation (ECO) and the Warm Home Discount (WHD).

ECO is an energy efficiency programme with the twin aims of reducing fuel poverty and improving carbon efficiency.<sup>6</sup> Given that the programme primarily focuses on retrofitting homes rather than supporting people at the point of crisis we have not explored ECO in detail during our work.

The WHD does offer supplier-directed crisis support for low-income households and therefore falls within the scope of our project. Under the WHD, money is collected via bills from all energy customers across the UK and redistributed via various elements to low-income or vulnerable billpayers. The most high-profile way that this is done is via a £150 annual rebate on electricity bills to households at risk of fuel poverty. In 2022-23, a

total of £399.5m was administered to customers across the UK via these rebates.<sup>7</sup> A further, lesser-known element of the WHD is known as 'Industry Initiatives'. This obligates suppliers to direct funding to activities which are generally targeted at strategically reducing fuel poverty in the longer term, and had a minimum total budget across suppliers of £40m in England and Wales in 2022-23.<sup>8</sup>

While Ofgem mandates certain eligibility criteria, budgets and targets within the WHD programme, suppliers have significant discretion when administering scheme funds. This is especially true with regards to the Industry Initiatives part of the programme. While suppliers are issued with a minimum budget to spend on Industry Initiatives every year according to their respective market share, they can decide what specific initiatives their budgets are spent on and can choose to spend extra money on top of their minimum budget.<sup>9</sup>

**Voluntary schemes** are those which suppliers are under no legislative or regulatory obligation to provide. Many suppliers voluntarily choose to spend additional money on support schemes with the aim of supporting low-income and vulnerable consumers.

The line between voluntary and administrative schemes is difficult to draw. Suppliers often use their own funds to top up WHD schemes rather than developing something new or different. Distinguishing between voluntary and administrative support is also made difficult because suppliers often advertise and report on their schemes in a way which makes it appear as if activities which are part of their WHD obligations are entirely voluntary.

According to the energy industry's trade association, Energy UK, suppliers provide around £54 million of support on a voluntary basis every year.<sup>10</sup> However, we found this figure has been quoted by industry figures since October 2022, when Energy UK's CEO stated that it was what had been provided by suppliers "over the last several years".<sup>11</sup> The figure is thus likely to be a rough estimate of current expenditure at best.

Given the difficulty in distinguishing between administrative and voluntary schemes, we have looked at them together in the report. We also do not distinguish between schemes that are limited to suppliers' own customers and those that are available to others, as permitted by Ofgem, although the latter are relatively uncommon.<sup>12</sup>

## 2.2 What kinds of support are available through these schemes?

Energy suppliers provide a wide range of support for low-income and vulnerable households via their administrative and voluntary schemes. These can broadly be divided into three groups:

### Direct financial support

All major UK energy suppliers have support schemes in place that provide direct financial support to customers. The largest of these in total cash terms are WHD energy rebates. All UK energy suppliers that have more than 1,000 customers offer customers at risk of fuel poverty a rebate of £150 off their electricity bill. Across the UK £399.5m is spent on such rebates annually.<sup>13</sup>

Grants to write off energy debt are also relatively common. In 2022/23, 14 out of the 18 energy suppliers that participated in the WHD programme made contributions towards debt write-off activity.<sup>14</sup> Across England and Wales, approximately £3.6m worth of debt was written off in this period via such schemes.<sup>15</sup>

The type of write-off offered as well as the circumstances in which one will be offered varies between suppliers. Some suppliers will write off debts in full, while some suppliers' offers will either be full or partial depending on the circumstances of the household applying. To be eligible, some suppliers require customers to have a minimum level of debt (this broadly varies between £100 and £250) whilst others set a hard ceiling in terms of the maximum amount that can be written off (we found maximums ranging from £1,000 to £3,000).

Suppliers also offer smaller grants to help customers pay for their energy costs, which can take the form of prepayment vouchers or applied as credit on a smart meter. Where details were available, the maximum value of these payments was between £140-£250. The maximum amount available to each customer per year may be split into smaller payments, each of which need to be applied for individually.

## Support in-kind

As well as cash help, some suppliers offer in-kind products and services to help customers to reduce their energy costs. In the last few years, these have included personal heating devices such as electric blankets and mattress toppers. Other free products have included relatively low-cost items such as energy saving sockets or lightbulbs, as well as more expensive items such as boiler and heating system replacements, and 'essential' white goods such as fridges or ovens. Some suppliers offer to loan equipment such as thermal imaging cameras to help customers to identify where heat is being lost in the home.

## Advice, income maximisation, and flexibility

Suppliers fund and administer a range of advice and income maximisation services. They can undertake some of this work directly themselves, fund other organisations to undertake it on their behalf or some combination of both. The split between 'in-house' support and funding of external organisations varies between suppliers.

Amongst the support which customers can commonly access is traditional income maximisation support. This includes assisting customers to make sure that they are accessing all the benefits they are entitled to and supporting customers to reduce their expenditure. Some suppliers also work to ensure that customers who are in debt have debt management plans in place, which can lead to interest and charges on debts being reduced or stopped. Depending on their supplier, customers can access advice online, via phone, or face-to-face, with some suppliers offering home visits or support at public 'pop-ups'.

Suppliers can also support customers by allowing payment flexibility when they are struggling with their bills. While suppliers operate under a licence condition to take into account ability to pay when setting repayment arrangements for customers in arrears, they can also offer innovative payment adjustments which go beyond the minimum. We found examples of customers being offered general payment 'holidays' or temporary payment reductions, as well as holidays specifically for debt repayments, so that during the colder months, all the funds placed on a prepayment meter are used for energy, rather than paying

off debt. These types of assistance defer, rather than write off debt, providing breathing space for those in payment difficulty, but also potentially increasing a household's debt to a supplier.

### 3. Are the support schemes effective? Awareness

The support schemes offered by energy suppliers have the potential to play a significant role in easing the financial pressure faced by households. To be effective, it is vital that people are aware of the support on offer. This is especially true given that most supplier support schemes require at least some action to be taken by customers themselves, i.e., support must be applied for before it is made available. If people do not know that there is help available, then they will not be in a position to apply for it.

Previous work undertaken by the Bevan Foundation on the social security system has shown that people have very low levels of awareness of the benefits that are available to them.<sup>16</sup> Whilst there is a lack of data on public awareness of the schemes made available by energy suppliers, it would be surprising if the situation was any better within the energy market. This section looks at how suppliers go about making information on their support schemes available and reflects on the impact this is likely to have on people's awareness of them.

#### 3.1 A complex landscape

Over the summer of 2024 we identified 28 suppliers trading in domestic retail energy in the UK. Nearly all of these have their own administrative or voluntary schemes in place.<sup>17</sup> This means there are a plethora of schemes available across suppliers, many with very similar names. This makes it very difficult for consumers to know what support may be available for them.

Due to this inherent complexity, it is extremely important for clear and concise information to be made available by suppliers about their schemes. We found that this is not always the case, with even some energy advisers telling us that they themselves get confused about who provides what. The challenge facing low-income and vulnerable consumers who are less familiar with the system is likely to be even greater.

The fact that so many people struggle to understand what support is available is not surprising when looking at supplier websites. When we cross-referenced the information on support activities published via the customer-facing sections of suppliers' websites with the details on sources such as Energy UK's published list<sup>18</sup> and the most recent WHD annual report,<sup>19</sup> we did not find a single supplier which comprehensively advertised all the types of support they have on offer in an easy-to-understand manner.

Some suppliers are worse than others. When we looked at suppliers' websites, we found that 14 suppliers did not appear to offer any information about their schemes beyond the minimum necessary to comply with their licence conditions. The information provided typically included a combination of a contact telephone number, signposting to third-party or charity advice and support, or a list of payment options, including paying directly from social security benefits.<sup>20</sup>

Some of these suppliers are small players in the market. Seven of them are small enough not to have been a part of the WHD scheme last year due to having fewer than 1,000 customers. However, several larger suppliers did not provide any indication that they provide financial support which we know they offer, including debt write-offs.

Other suppliers did provide more information, but even these often did not include all the types of help on offer. Some stopped short of providing a full list of how they could help and their eligibility criteria, and instead simply said they gave 'financial assistance' or 'payments' without specifying what form they take. Other suppliers emphasised some aspects of their offer, potentially giving customers a misleading impression about what is available. As an example, it would be easy to think that two of the largest suppliers only offer debt write-offs—while these are significant they do in fact offer other forms of direct financial support.

Ultimately, the only way to get full details of some of the suppliers' schemes is by extending the search to their annual or social impact reports and articles published in the press, or from organisations which offer utilities advice and support—something that low-income and vulnerable consumers are unlikely to be able to do.

### 3.2 A lack of information via non-digital channels

A lack of clear information on supplier websites is not the only factor likely to be limiting public awareness of energy suppliers' support schemes. Those working in frontline services also had concerns about the lack of advertising of support and told us that there is scope for improvement in the extent and manner in which information is made available to customers in payment difficulty. In particular, they were concerned about the lack of information available via non-digital means.

Whilst the quality of information on support available via digital channels is extremely variable, the advisers that we spoke with felt that the information available offline was even worse. Given that that digital exclusion remains a significant problem in the UK,<sup>21</sup> and that digitally excluded customers are disproportionately likely to be on a low income, it is even more important that efforts are made to promote support schemes via non-digital means.

A common concern we heard at the NEA's forums was that many suppliers appear unwilling to provide printed materials to advisers outlining the support which is on offer. One advice professional working for a local authority told us that they have regularly attempted to obtain leaflets to provide to local residents, but with limited success. A message we heard over and over again was that unless advisors have long standing relationship with staff at energy companies, getting access to non-digital materials was nearly impossible.

It's important to remember that it is not just digitally excluded customers that are affected by the lack of offline information. Advice professionals told us that customers often feel locked into a circle of searching for support. We heard that when customers who have been unable to find information online try to get through on the telephone to a customer service agent, the first thing they are told is that the best place to find information about support is online. This creates a barrier, leading to customers having to turn to the advice sector for support or simply giving up trying to access the help that might be available.

### 3.3 Conclusion

Given the complex range of support schemes provided by suppliers, the importance of ensuring that clear, precise information is made available for low-income customers detailing what help they could be entitled to is clear. But the evidence suggests there is significant room for improvement both in terms of how suppliers make this information available and how they promote their support schemes more broadly.

Set in this context it is perhaps unsurprising that some of the advisers we spoke to questioned whether suppliers were genuine in wanting to support low-income and vulnerable customers at all. As one advisor noted: *"It feels like a tick box. It's something they need to supply, but they don't want to promote it..."*

## 4. Are the schemes effective? Access and eligibility

Being aware of the support that is available is just the first hurdle that low-income customers have to clear. The process of meeting eligibility criteria and applying for schemes can also be a barrier.

It is difficult to gauge the application process, as almost all suppliers require consumers to input their customer details early in the application process, making mystery shopping difficult. By engaging with the advice sector and through our own exploration of supplier websites, we have been able to identify a number of issues that would likely present barriers to low-income and vulnerable consumers.

### 4.1 Unclear eligibility and application deadlines

Having clear and transparent eligibility criteria and application deadlines are a vital component of easy access. They enable people to have a clearer sense of whether they qualify for support, can prevent arbitrary decision making and allow people to submit applications for help in a timely manner. A message that has emerged through our work is that in too many instances, energy suppliers fail to ensure that the eligibility criteria and application deadlines for their support schemes meet these standards.

One example that was shared with us is the requirement of many energy suppliers for customers to access advice from a Financial Conduct Authority (FCA) registered debt adviser before they will consider providing customers with direct financial support. There are sound reasons for energy suppliers wanting to encourage customers that are struggling with their energy bills to access advice. Advisers can help people identify social security benefits that they might be eligible for that they are not currently claiming or support people to cut their expenditure by finding more affordable debt repayment plans, among other measures. Such steps can help households who are struggling with their energy bills to be placed on a more secure financial footing in the longer term.

The registered debt advice sector, however, is currently under significant pressure. For example, Citizens Advice report that by May 2024 the number of people they support each month in the UK with energy debt help had nearly doubled to 10,308 people compared with the position in May 2021.<sup>22</sup> The pressure on the sector more broadly is

leading to delays in people being able to access advice and thus delaying people's ability to access suppliers' schemes. We heard concerns that this requirement and the associated delays are leading to customers presenting with larger debts at the point that support is made available to them.

An even greater source of frustration for the advisers that we spoke with was the unpredictable nature of when energy suppliers would accept applications. For example, we heard that one major supplier has a fixed pot of money allocated to its support scheme. Once that money is exhausted, the supplier shuts the scheme, meaning that people who may have identical challenges to those who received support a week or two earlier have nowhere to turn. This supplier was not alone in taking a first come first served approach, as one adviser told us "*you have to fall into debt at the right time*".

An example of the real-world impact of unclear eligibility criteria and application deadlines was vividly shared with us by one adviser. The adviser informed us that one of their clients had fallen into arrears on their energy bill. They had contacted their supplier to see what support they might have available only to be told that the scheme was shutting in three days' time. Fearing that they would not be able to submit an application in time, the client had got a loan to pay off their arrears, pushing them into even deeper debt. It is clear there is scope to improve how eligibility criteria are set and applied within the sector.

## 4.2 Engaging with energy suppliers - consumers

As discussed in section 3, one of the concerns about energy suppliers' schemes is the lack of information that is available both on and offline. It is perhaps not surprising that we heard concerns about consumers facing similar challenges, and in particular when seeking to access support by phone.

The length of time spent waiting on the phone is a common complaint across the sector. Whilst phone hold times do not appear to be excessive across the sector as a whole,<sup>23</sup> we did hear examples of individuals that had had to face significant wait times. Of equal frustration was a sense that call handlers lack the relevant information to help people access the support they might be entitled to, and often can be actively unhelpful. Time and again we heard advisers say that they felt that the primary focus of call handlers is to protect the finances of the supplier, with some putting pressure on customers to pay their arrears rather than exploring ways in which they can support them.

We did hear that some recent progress has been made in addressing these concerns. The *Vulnerability Commitment*, subscribed to by 13 of the largest retail suppliers (who possess around 90% market share between them), contains specific pledges around improving vulnerability awareness of call handlers.<sup>24</sup> Although this is welcome, there appears to be much more work still to do.

Despite improvements in technology, there were also concerns about the usefulness of chatbot services. This was felt to be especially the case when suppliers had automated systems rather than services that were staffed by people.

Given these issues, there are real concerns that low-income and vulnerable customers are not always able to apply for help when they need it. There is a risk of people disengaging from the system even though help is available.

### 4.3 Engaging with energy suppliers – advice sector

Consumers are not alone in struggling to engage with energy suppliers. Several of the advisers we spoke with also reported frustrations about how difficult it can be to get in touch with relevant customer service staff.

While some large advice organisations are recognised by some energy suppliers and have access to priority telephone lines and expedited processes, this is not the case for all. This leads to advice staff clogging up the same phone lines as customers, increasing wait times and meaning that advisers are unable to engage with expert staff when they finally get an answer. We heard from one participant that reported being on the phone with one energy company for three hours trying to advise a client.

This has real implications for the ability of low-income and vulnerable customers to access support in two ways. First, the longer it takes an adviser to support a client to access support, the greater the risk of that client disengaging.<sup>25</sup> The more swiftly support can be provided the lower the risk of such disengagement. Second, the longer an adviser spends on a phone supporting one client, the less time they have to support another with their challenges. Given that some energy suppliers require their customers to access advice from an FCA-regulated adviser before getting help with their bills, this has a double impact on people facing hardship.

### 4.4 Welsh-language services

A related issue that was raised with us is the challenges faced in accessing support in Welsh. For many Welsh speakers, the ability to access services in Welsh is vitally important. Research by Citizens Advice has found that 45% of fluent Welsh speakers prefer to access services from their gas supplier in Welsh.<sup>26</sup> Historically three suppliers (British Gas, Ovo, and Scottish Power) had offered substantial Welsh language services. All three of these companies offered dedicated Welsh-language phone lines and printed materials in Welsh but these services have recently been reduced.<sup>27</sup> With other suppliers, the existence of Welsh-language services has been less clear, with some (but not all) signposting the potential provision of materials in languages other than English via their priority services registers or via third party advice services.<sup>28</sup>

There are concerns that the reduction in the provision of Welsh-medium services will create challenges for some low-income and vulnerable customers, preventing people from accessing help they desperately need. Some advisers told us that they had already had to pick up translation skills to enable them to carry out their work. These pressures could be set to grow without a change in approach.

### 4.5 Conclusion

There is clearly significant scope to improve how low-income and vulnerable customers can access support from energy suppliers. Any one of the factors discussed in this section—shifting deadlines, unclear eligibility criteria, or the challenges faced when engaging with suppliers—could be enough to prevent someone from getting help. Taken

together, they are likely to present an insurmountable challenge for some low-income and vulnerable consumers.

## 5. Are the schemes effective? Value and scale

A final issue to consider is whether a scheme is of sufficient value to make a real difference to people's lives individually, and also whether the amount of money invested is sufficient to support low-income and vulnerable consumers at scale. This section will address both these questions in turn.

### 5.1 Is the support enough?

There is no question that the support schemes offered by energy suppliers can make a real difference to people's lives. Previous work undertaken by the Bevan Foundation on the social security system has demonstrated that even relatively modest support can ease the financial pressure faced by people at a point of crisis.<sup>29</sup> Modest cash support or credit on an energy meter can make the difference between someone having to ration their heating or turn to a foodbank. The provision of in-kind goods and services can reduce household living costs, easing financial pressure, whilst debt relief schemes can free up household resources to enable people to more effectively make ends meet. There are areas of concern, however, with regards to the utility of some of the support that is available.

Perhaps the most prominent concern that was raised with us by energy advisers was the value of debt relief schemes. Several advisers told us that whilst partial debt relief schemes can help consumers in some circumstances, they often do not make a meaningful difference to people's day-to-day circumstances. This was especially true if the consumer involved was on a very low income and had built up a significant debt.

It seems that whilst advisers understood why energy suppliers provide partial repayment schemes, many felt that they are often not used in an effective way. Low-income consumers have often fallen into debt because their income has not been enough to cover their energy bills. Partial debt repayment schemes are almost always offered on the condition that the consumer agrees to a repayment plan. This places a requirement on a customer to pay an additional amount on top of their ongoing energy spending to pay off their debt. Given that it is the fact that customers have not been able to afford the bill that led them to being in debt in the first place, requiring them to pay an extra amount on top can offset any benefit offered by the scheme, and can push some customers into greater financial hardship in the short term. Whilst such schemes can offer vital short-term support, they are unlikely to dramatically alter the challenges faced by some consumers over the longer term, in particular those who are on negative budgets.

A broader concern is that the type of support customers can receive varies between suppliers. This means that not all suppliers have schemes in place which are of sufficient value to support their customers. For example, only suppliers with more than 1,000 customers are required to take part in the WHD rebate scheme. Some low-income

consumers missed out on the £150 WHD rebate last year because their supplier was not large enough to be obligated under the scheme.<sup>30</sup> Given that these companies were also not obligated to take part in WHD Industry Initiatives, it is likely that the availability of any alternative forms of support would be limited.

It is important to note that the number of people affected by this regulatory gap is likely to be small. Suppliers that have more than 1,000 customers are believed to serve 99.99% of households in the UK.<sup>31</sup> But this issue does highlight broader concerns that a system with such significant variation is likely to lead to a situation where the sufficiency of support on offer varies significantly between suppliers.

## 5.2 The scale of support

Concerns about variations in the value of support offered by suppliers are directly linked to another issue, namely whether the funds that energy suppliers invest in their support schemes are sufficient to ensure that the schemes can operate to their true potential.

Getting an accurate picture of whether energy suppliers allocate adequate funding to their support schemes in relation to the scale of the challenge is difficult. Section 2.1 set out how it is very difficult to establish how much money is actually allocated—the evidence that we gathered from advisers and from our literature review paints a mixed picture.

On the one hand, many advisers suggested that suppliers did not allocate sufficient funds to support schemes. The fact that so many advisers told us that suppliers shut applications for their support schemes early due to demand outstripping available funds points to there being a significant problem.

On the other hand, Ofgem revealed that in 2022/23 £74m *less* was spent on WHD than had been anticipated.<sup>32</sup> Ofgem's primary explanation is that the number of people who made an application for the WHD £150 energy rebate was lower than expected.<sup>33</sup> It is hard to square this with the difficulties many people faced paying their energy bills during 2022/23—it seems more likely that some of the access and application issues identified above have deterred people from applying for their rebate.

Taken together, the evidence suggests that—other than the WHD rebate—the scale of the expenditure by energy suppliers on support schemes is not sufficient to meet demand, with the underspend on the WHD scheme potentially reflecting lack of awareness and difficulties with applying.

## 5.3 Conclusion

Energy supplier support schemes can and do make a real difference to the lives of low-income and vulnerable customers. Despite this, it is clear that they do not currently meet their potential. With reports of suppliers regularly closing support schemes early, demand for crisis support is clearly outstripping what is available. It is hard to avoid the conclusion that the funds allocated to energy supplier support schemes is simply not sufficient to meet current levels of need.

## 6. What are the effects of the weaknesses in the current system?

The support schemes provided by energy suppliers can and do make a real difference to people's lives. However, the weaknesses in the current system identified in this report mean that many more people who could benefit from such schemes miss out on support. This section provides an overview of the likely impact on low-income and vulnerable consumers and on the advice sector in Wales.

### 6.1 People are missing out on support

Perhaps the most obvious and most significant impact is that there are many people missing out on support that could really make a difference. Given the lack of information, the complexity of the current system, and the difficulty faced by people applying for support, it is not surprising that advisers told us over and over again that people that they work with just drop out of the system. The challenges faced by people trying to access support independently are likely to be even greater.

### 6.2 Increasing debt and hardship

A low-income household or a vulnerable consumer who misses out on help with their energy bills is likely to see their financial position deteriorate. This can lead to people being forced to make impossible decisions: cut back or go without essentials such as food and heating, or fall behind on their payments, falling deeper into debt.

These are not decisions that confront only a handful of people. In 2023/24 the Trussell Trust distributed over 3.1 million food parcels in the UK, a number which has doubled in 5 years.<sup>34</sup> Meanwhile, the amount of energy debt owned by consumers across the UK has more than doubled in the three years to the first quarter of 2024 to £3.3 billion.<sup>35</sup>

With the extent of the hardship experienced by families across the UK being so great, it is not practicable nor reasonable to expect energy supplier support schemes to operate at a scale that can solve this problem in full. However, as this report has highlighted, there is a potential for suppliers to use their schemes much more efficiently to reduce the number of households forced to choose between heating or eating.

### 6.3 Health impacts

The connection between people's financial position and their health has long been established. As of January 2024, 44 per cent of adults in Wales reported their mental health had been negatively affected by their financial position, while 30% reported their physical health had been negatively affected.<sup>36</sup>

The impact of struggling with energy costs on people's health is twofold. Living in damp, cold conditions can both cause ill health and exacerbate existing health conditions.<sup>37</sup> Additionally, constant worry about paying the next bill or instalment on a debt payment plan to a supplier is likely to be having an impact on many people's mental and physical health.<sup>38</sup>

The issues identified in this report are therefore likely to be having a double effect on low-income and vulnerable consumers. Many consumers are likely to be missing out on support that could ease some of the health challenges outlined above. In addition, the complex and uncertain process of applying for support is likely to be a source of stress in itself. There is therefore a real risk that the current approach taken by energy suppliers could be worsening the very issues that they are trying to address.

## 6.4 Scams

We heard concerns from several advisers that the confusing nature of the current approach could be placing some low-income and vulnerable consumers at a greater risk of becoming victims of scams. With low levels of public awareness of the schemes on offer and the public concerns about the cost of energy, some advisers were concerned that this creates a fertile ground for scammers to take advantage of.

It is worth noting that there have been a number of recent reports that have raised concerns about energy-related scams. ActionFraud, Which? and Citizens Advice have all published work that points to there being an increasing number of scams based on the grants and support from energy companies.<sup>39</sup>

Advisers were concerned that scams not only placed people at risk of financial harm but that they also led to people not applying for support. For those low-income and vulnerable consumers who might have been a victim of a scam previously or who were aware of the fact that there are a number of scammers operating, sharing their personal details online or via the phone can be something they are reluctant to do without further reassurance.

## 6.5 The impact on the third sector

The advice sector in Wales and across the UK has come under unprecedented pressure over recent years.<sup>40</sup> The complexities of the current supplier support schemes system are exacerbating these pressures, leading to people having to turn to advisers to learn more about what help is available and to apply for support.

Time and again we heard from advisers how difficult and time consuming it could be to access support from energy suppliers. As alternatives they were seeking support from local and national charities, accessing grants from organisations such as housing associations and looking for discretionary Welsh and local government schemes such as the Discretionary Assistance Fund. As one adviser told us, *"I always think of other places first. I don't have the capacity to be on the phone with the energy company all day"*.

Many advisers told us that they were reluctant to use such alternative sources of support, but they felt they had no option. Advisers were particularly concerned about using charitable funds to support customers with their energy bills. Some of these pots were provided by small, local charities with the amount of money available being limited. Drawing funds from such sources rather than energy suppliers themselves meant that other people within their community might be denied the support they need.

## 7. Conclusion and recommendations

The surge in domestic energy prices has placed significant pressure on low-income households over recent years. With prices set to remain high into the medium term, the challenges faced by households when it comes to making ends meet show no signs of easing. Set against this backdrop the support provided by energy suppliers to low-income and vulnerable customers is set to continue to be a source of vital relief.

Despite the difference energy supplier schemes can make to people struggling with their energy bills, there are some shortcomings with how these schemes currently operate:

1. People are not aware of the support that is available from suppliers. Suppliers do not provide comprehensive information about their schemes nor are they taking adequate steps to publicise their availability.
2. It can often be difficult for people to access the support available. Shifting application deadlines, unclear eligibility criteria and difficulties in engaging with suppliers all act as barriers that prevent people from being able to access support that can make a real difference to their lives.
3. The value and scale of the support available is not always enough to make a real difference. Reports of support schemes closing for applications early is an indication that the funds invested in them is not sufficient to meet demand. Even where people are successful in accessing support, the impact of schemes such as partial debt repayments can sometimes be mixed.

These shortcomings have a real impact on Welsh communities. On a human level it can lead to people being left short, forcing people to choose between heating and eating. This has knock-on implications for people's health and their broader wellbeing, deepening the impact of poverty across Wales.

They also affect Wales' third and public sectors. People often turn to local authority and third sector advisers for help, placing further strain on services that are already overstretched. Weaknesses in the schemes also mean that advisers themselves often struggle to access support on people's behalf, leading to them drawing on other sources of support such as charitable grants.

There are steps that can be taken to address some of these challenges. This conclusion has divided these in two: solutions that can be implemented in the short term, and longer-term solutions.

### 7.1 Short-term solutions

There are practical steps that could be taken to make the schemes currently offered by energy suppliers work more effectively. These include:

1. The UK Government and Ofgem should work together to require energy suppliers to take steps to better promote the support schemes that they currently offer. Specific steps that should be taken include:
  - o Ensure that information on all the various support schemes that they offer is available on their website in a clear and transparent way. This includes

- creating a single landing page that provides customers with a summary of each scheme available.
- Ensure that information on all the various support schemes that they offer is available via non-digital means. This includes providing flyers and other promotional materials to all advisers who request them.
  - Ensure that call centre staff always promote the availability of support schemes when engaging with customers that are struggling with their energy bills.
2. The UK Government and Ofgem should work together to require energy suppliers to take steps to improve their application processes. Specific steps that should be taken include:
- Publish clear eligibility criteria on their website.
  - Phase out the use of closing dates for support schemes, moving to a system where support is available year-round.
  - Explore means by which support can be automatically provided to people at risk of disconnection.
  - Allow consumers to apply for support via their support schemes whilst they wait to be seen by an adviser.
  - Take measures to ensure that consumers can access support schemes via the medium of Welsh if they desire.
3. The UK Government and Ofgem should work together to require energy suppliers to take measures to ensure greater transparency with regards to each support scheme. Specific steps that should be taken include:
- Publish annually how much it has spent on each individual support scheme, distinguishing between sums spent voluntarily and sums spent due to regulatory obligations.
  - Publish annually how much is budgeted for each individual support scheme, distinguishing between sums spent voluntarily and sums spent due to regulatory obligations, to enable clearer analysis of take up rates.
  - Ensure this information is easily accessible via each supplier's website and on Ofgem's relevant reports.
4. Energy suppliers should work with the advice sector to better understand their needs to ensure greater co-operation. Measures to consider include:
- The creation of dedicated phone lines for advisers.
  - The creation of regular spaces for energy suppliers and advisers to share concerns and best practice.

## 7.2 Longer-term measures

Even if all the actions set out above were implemented, it is unrealistic to expect energy supplier schemes to solve issues around fuel poverty by themselves. These measures therefore must be taken alongside longer-term actions. Among the actions that should be taken are:

1. The UK Government should put in place an Essentials Guarantee so that the value of Universal Credit is sufficient to provide everyone with a level of income that covers their essentials.<sup>41</sup>
2. The Welsh Government should increase investment in its Warm Homes Programme so that it can operate at greater scale to improve home energy efficiency and reduce fuel poverty. Whilst the new iteration of the programme includes many welcome measures, based on current estimates it will take between 120 and 380 years for the programme to achieve its objectives.<sup>42</sup>
3. The UK Government, Ofgem and energy suppliers should work together to increase affordability in the energy market for those on the lowest incomes. Amongst the measures that should be considered is the introduction of a social tariff so that people on the lowest incomes can access gas and electricity at more affordable rates.

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