CONSULTATION RESPONSE

National Energy Action (NEA) response to Call for evidence: Data-matching and benefit letter evidencing routes in ECO4 and GBIS

About National Energy Action (NEA)

NEA[1] works across England, Wales and Northern Ireland to ensure that everyone in the UK[2] can afford to live in a warm, dry home. To achieve this, we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives.

Background to this response

Millions of people across the UK currently face every winter in properties which are dangerous or unfit for colder seasons. The energy crisis continues, with experts saying that high prices are likely to persist until at least the end of the decade[3]. Since the October price cap announcement, which increased the price cap to £1717 per year for the typical household, NEA estimates that there are 6 million households in fuel poverty across the UK. This is a 9% increase from pre-October price cap announcement. It is also important to note that, while prices have dropped since the peak of the energy crisis, they remain higher than pre-crisis levels, while many households will face debt burdens which leave them with less space in budgets to afford increased costs.

People of all ages are facing the daily struggle of living in cold, damp conditions, with this struggle only predicted to worsen throughout the coming winter. They are regularly forced to make desperate choices between 'eating or heating', to ration their fuel use or face indebtedness. For some, this stark reality can prove fatal. Each winter

across the UK, on average approximately 7,500 people die needlessly due to a cold home[4]. Despite efforts to reduce fuel poverty, the statutory target[5] and interim milestones that are in place to eradicate poor efficiency homes are either missed or due to be missed, with fuel poverty remaining a devastating problem. The UK has committed in law to improving 'as many fuel poor homes as is reasonably practicable' to a minimum energy efficiency rating of Band C by 2030, with interim targets of Band E by 2020 and Band D by 2025[6].

Energy efficiency is key to achieving warmer, safer homes at a lower cost, but only if delivered in a way which places fuel poor and vulnerable homes at the forefront of policy. In England, since 2010, the proportion of households in fuel poverty and living in the least efficient homes has reduced, as has the aggregate fuel poverty gap. The key reason for the reduction in fuel poor households has been improvements in domestic energy efficiency levels. Improving our leaky housing stock is central to alleviating fuel poverty in the long-term. However, we are still far from on track to meeting the fuel poverty target. Unless addressed, the lack of progress in making fuel poor homes more efficient will continue to put the delivery of the UK government's legally binding fuel poverty commitments at risk, add to the cost-of-living pressures which expose millions of low-income households to future energy crises and undermine the UK government's net zero targets.

Energy Company Obligation (ECO) is the UK's flagship fuel poverty programme, which situates it as essential to make progress against statutory fuel poverty targets. ECO helps the poorest households reduce their exposure to volatile energy prices through energy performance improvements which permanently reduce bills: this has saved low-income customers £17.5 billion in lifetime energy bills since 2013, and saved the average home treated £290. We have welcomed ECO4's targeting at those in or at the highest risk of fuel poverty: households on the lowest incomes in the least efficient homes. However, we are now calling for ECO to be extended past 2026, and for assurances that it will remain focused on the 'worst first'. This will not only be vital to meet fuel poverty targets, but also in providing confidence in energy efficiency supply chains, reducing costs and improving service delivery for households.

SUMMARY OF OUR RESPONSE

NEA has previously engaged with ECO consultations, including the ECO4 consultation in 2021 and the Great British Insulation Scheme (GBIS, then-ECO+) in 2023. NEA has long made the case for improved use of DWP data-matching in order to capture vulnerable, fuel poor and low-income households who were not being identified and, as a result, failing to receive necessary support. We welcome the intentions of this call for evidence and the proposal to introduce automated DWP data-matching for evidencing eligibility. However, it is crucial that the impacts of either the proposal to introduce new data-matching evidencing routes or to remove existing evidencing routes on vulnerable households and those with protected characteristics are understood at a granular level.

In addition to the answers provided to the call for evidence's questions, below, NEA suggests the following proposals:

1. Communications regarding the use of automated DWP data-matching to evidence eligibility must consider diverse accessibility needs.

2. Ofgem must undertake research to better understand, and mitigate, the impacts of proposals on vulnerable groups and those with protected characteristics.

3. Data-matching must be complemented by utilisation of existing data held by suppliers.

Communications with households regarding the use of automated DWP data-matching to evidence eligibility must consider diverse accessibility needs.

While we approve of the use of data-matching to capture households who had previously fallen through the gaps in support, without understanding how this will be communicated to households, or how households (particularly those who are vulnerable) will interact with this process, we are concerned about where households may have engaged with the data-matching process, been positively identified as eligible, but then do not receive measures due to their property characteristics.

As a result, it will be crucial to consider how accessibility needs may create barriers for households, particularly those with vulnerabilities, if communications aren't carefully considered. For this, suppliers will need to think about how they currently engage with households and be mindful of any gaps in existing engagement.

There are a number of household characteristics which must be taken into account when designing these processes. A non-exhaustive list includes:

- Digital exclusion needs: older households and disabled households are more likely to experience these barriers, but there are lots of digitally excluded households who do not fall within these categories. If engagement takes place digitally, there must also be non-digital options for those without digital literacy or who face physical and/or financial barriers to digital assets, such as computers, smart phones, and wi-fi.

- Additional support must be provided for households with accessibility needs, particularly for disabled households. These households already face a premium due to a lack of accessible services, and thus it is paramount that they are able to access fuel poverty alleviation schemes such as ECO4 and GBIS.

- Low household income could not only result in lack of digital access due to financial barriers, but also may prevent households accessing schemes due to fear of losing access to benefits. This must be taken into consideration when designing household communications.

It is worth considering proxies for vulnerability that may enhance identification of marginalised households or those who are at risk of being missed out of support. There is a considerable risk that if fuel poor, low-income and vulnerable households are unable to access the benefits of ECO4 or GBIS, the schemes will face reputational damage. It may also be difficult to engage affected households at a later stage, therefore undermining the purpose of the schemes, which are designed to alleviate fuel poverty (at least for ECO4 and 20% of GBIS).

Some households will be eligible for support but may be unable to access measures due to other constraints (for example, minimum requirements for buildings), or will not be eligible but will still be struggling to pay energy bills, keep warm, or to increase the energy efficiency of their homes. It will also be important to build in alternative offers for these households, so that when they are contacted to check eligibility, they are not left without any support. This will require a sensitive approach to communication to ensure expectations are managed and avoid reputational damage to ECO, suppliers, and net zero more generally.

Ofgem must identify, and mitigate, the distributional impacts of proposals on vulnerable groups and those with protected characteristics.

While we have outlined some of the groups which may be impacted by a lack of accessible information, we do not fully understand the implications of either moving to DWP data-matching as the default method of verification to evidence HTHG and low-income group membership, or of removing benefit letters as a method of evidencing eligibility. Given that we do not know who would qualify, yet not be identified by the data-matching process (and therefore would rely on benefit letters to evidence their eligibility), there is a risk that certain groups are excluded by removing this method, which could have implications inconsistent with the Equality Act.

As such, it is crucial that Ofgem works with DWP to identify the groups that are most likely to not be identified by data-matching, even if they do indeed receive the required benefit. This should look to uncover whether any groups are disproportionately represented within these. This will be paramount to understanding barriers to engagement. Ofgem should then look to provide recommendations on how to mitigate any negative or unfair distributional impacts arising from these proposals before Ofgem enacts any new approaches.

Data-matching to evidence receipt of benefits must be complemented by utilisation of existing data held by suppliers to identify vulnerability.

We welcome efforts to make better use of data through automated data-matching routes to maximise ECO delivery to low-income, fuel poor and vulnerable households. However, we are also conscious that there is a wealth of data possessed by suppliers on the vulnerability of their customers, which is not being used to its full potential (if at all) and yet would enable them to better identify households eligible for ECO. This data includes households on the Priority Services Register (PSR), which identifies vulnerable households in need of additional support; the amount of energy debt held by households, which tends to correlate with financial vulnerability; and whether households are on prepayment meters, which exposes them to the risk of self-disconnection if they are unable to pay upfront for energy.

Data providing information on how much energy homes have used can also be combined with EPC data to identify levels of energy efficiency within homes, and whether households are paying high bills as a result of low-efficiency homes. Overlaying this with data held by the DWP on financial vulnerability and receipt of benefits could identify not only households who are eligible, but also properties which are eligible. This could, in some cases, help to manage expectations regarding eligibility and, therefore, mitigate the risk that households are identified due to personal circumstances and yet ineligible due to property characteristics.

While this will not identify every single household eligible for support, it will make it more likely that those currently falling through gaps are caught. In particular, using this

data would help to capture marginalised households who are, by definition, less likely to be identified. Furthermore, this could mitigate the risk of fraud without making households have to jump through unnecessary hoops or further complicating the customer journey.

OUR RESPONSE TO THIS CONSULTATION

Question 1 – Do you agree that DWP data-matching (including EST and EER data-matching) should be the default method of verification to evidence Help to Heat Group and low-income group membership?

National Energy Action (NEA) strongly believes that automated DWP data-matching can bring a wealth of benefits, including a smoother customer experience, overcoming barriers to entry for vulnerable households by proactively identifying households, and preventing the sharing of data with external organisations. We have been campaigning for better use of data-matching to be built into ECO for a number of years. However, the removal of any other routes of verification must be subject to analysis to understand any potential impacts on fuel poor, low-income or vulnerable households, or households with protected characteristics.

Question 2 – What, if any, barriers prevent consumers from engaging with DWP data matching? Are any consumer groups more impacted? Please include any relevant quantitative and qualitative evidence.

Accessibility barriers may be relevant here, depending on how information regarding data-matching and eligibility is communicated to households. We are particularly concerned where households may have engaged with the data-matching process, been positively identified as eligible, but then do not receive measures due to their property type. NEA's Fuel Poverty Monitor 2020–21 found a number of accessibility barriers faced by particular groups:

- Digital exclusion needs must be taken into account when considering communicating new routes to households. Older households and disabled households are more likely to experience these barriers. If engagement takes place digitally, there must also be non-digital options for those without digital literacy or who face physical and/or financial barriers to digital assets, such as computers, smart phones, and wi-fi.

- Additional support must be provided for households with accessibility needs, particularly for disabled households. These households already face a premium due to a lack of accessible services, and thus it is paramount that they are able to access fuel poverty alleviation schemes such as ECO4 and GBIS.

- Low household income could not only result in lack of digital access due to financial barriers, but also may prevent households accessing schemes due to fear of losing access to benefits. This must be taken into consideration when designing household communications.

Ultimately, there is a need to better understand the implications of moving to DWP data-matching, and thus we recommend that the government undertakes a review to understand specific impacts on vulnerable groups. We currently lack the information to determine this. For example, it will be vital to understand whether there are any vulnerable and/or protected groups overrepresented within the 'unverified' category, for whom details cannot be found or verified typically due to data submission errors.

It is also important to note that, even when households are eligible for support through ECO4 and GBIS due to personal characteristics, there are other constraints which may prevent them from accessing benefits (for example, minimum requirements surrounding property type and composition). As a result, it is absolutely vital that communication processes are considerate of these barriers and the potential erosion of trust that make take place if households are promised services that they are unable to access. Alternative offers for households who may not be eligible but are in or at risk of fuel poverty must be available in order to maintain positive public perception of schemes and suppliers. Another risk of people undergoing these processes or being promised measures without receiving support is that they may be difficult to engage again.

Question 3 – Where you have identified consumer barriers, do you have any proposals to overcome these?

As above, Ofgem must consider how practical advice is delivered to households experiencing barriers to communication.

Question 4 – What, if any, barriers prevent suppliers and/or supply chain organisations from using DWP data-matching? Please include any relevant quantitative and qualitative evidence.

While we are unaware of any specific barriers which might arise to prevent suppliers and/or supply chain organisations from using DWP data-matching, these will likely be worth encountering given the potential benefits: suppliers regularly state that they are spending significant portions of their budgets on search costs, and thus reducing this burden will likely be beneficial regardless of barriers.

Question 5 – Where you have identified supplier and/or supply chain barriers, do you have any proposals to overcome these?

N/A

Question 6 – Are there any other proposals you have that would improve DWP match rates? Please explain the proposal and provide evidence if available.

N/A

Question 7 – Do you agree with the current approach to DWP data matching, which confirms receipt of a Help to Heat Group (HTHG) benefit at the time of the search?

Yes, we are happy with the approach to identify the Help to Heat Group (HTHG) through data-matching. However, it is important to consider how expectations and relationships can be managed for households who are positively data-matched and yet locked out of receiving support for other reasons (for example, property attributes).

Question 8 – Do you think DWP data matching should widen its search, to consider receipt of a HTHG benefit at any point in the 12-month period? If so, should the data match confirm receipt of a HTHG benefit over the previous 12 months, 6 months or another period?

and

Question 9 – What would be the benefits and risks of DWP data matching moving from verification of current benefit status to receipt of a HTHG benefit at any point in the 12-month period? Would any consumer groups be more impacted?

Yes, we would be happy to see the search widened to consider receipt of a HTGH benefit at any point during the 12-month period, as well as the previous 12 months. It is our estimation that any household who has received means-tested benefits within the past 12 months is likely to require support to afford retrofit or decarbonisation measures. Widening the eligibility pool while ensuring that this is linked to financial vulnerability is, in our view, positive and should provide suppliers with a larger number of households requiring upgrades, in turn enabling faster and more widespread delivery of ECO.

Question 10 – What would be the benefits and risks of removing benefit letters as evidence of eligibility and how could they be mitigated?

and

Question 11 – Which, if any, consumer groups are more likely to rely on benefit letters, over other verification methods, to evidence eligibility? Why might they be more likely to rely on this form of evidence? Please include any relevant quantitative and qualitative evidence.

There is a risk that individuals in the vulnerable and/or protected groups described in our answer to Question 2 may not be able to access ECO. They would therefore be excluded from England and Wales's flagship fuel poverty scheme, resulting in the following risks:

- Increased levels of fuel poverty and unaffordability.

- Household rationing of heat and energy.

- Detrimental physical and mental health outcomes for residents as a result of cold, damp and mouldy homes.

- Increased NHS and/or health spending on the fallout of cold homes.

- Increased spending on bill support schemes and benefits to support households unable to afford energy costs.

- Structural insecurity of homes due to damp and mould, with safety implications.

- Failure to reduce carbon emissions due to a lack of household energy efficiency.

- Increased household debt, with a number of implications for mental health and wellbeing.

- Increased market debt which could be passed onto households.

- Reputational damage to net zero policy by locking low-income households out of benefits while they disproportionately shoulder costs and burdens.

- Failing to reach statutory targets, such as the net zero target, fuel poverty target, and energy demand reduction target.

As we currently lack the information to determine who would rely on benefit letters to prove eligibility for ECO if the scheme were to move to automated data-matching, we do not know the risk posed to vulnerable groups. This could therefore pose inconsistency with the Equality Act by disadvantaging groups with protected characteristics.

Some may take the view that moving away from use of benefit letters to evidence membership of the HTHG could reduce fraud in the scheme. Our view is that the fraud risk with ECO 4 is minimal, and the risk of excluding vulnerable households far outweighs any fraud risk.

Question 12 – Are there any alternatives to benefit letter evidence, which are non-automated, that we should continue to accept, or consider introducing, as evidence of eligibility?

N/A

Endnotes

1   For more information visit: www.nea.org.uk.

2   NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.

3   https://www.cornwall-insight.com/press/energy-prices-to-remain-significantly-above-average-up-to-2030-and-beyond/.

4   https://www.endfuelpoverty.org.uk/over-1000-dead-in-december-2022-due-to-cold-homes/#:~:text=Over%20the%20last%20ten%20years,homes%20now%20stands%20at%207%2C409.

5   https://www.legislation.gov.uk/uksi/2014/3220/made.

6   https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1139133/annual-fuel-poverty-statistics-lilee-report-2023-2022-data.pdf.

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