

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cydraddoldeb a Chyfiawnder Cymdeithasol](#) ar [Tlodi Tanwydd yng Nghymru](#)

This response was submitted to the [Equality and Social Justice Committee](#) consultation on [Fuel Poverty in Wales](#)

**FP07**

**Ymateb gan: Cyngor ar Bopeth Cymru | Response from: Citizens Advice Cymru**

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## **Citizens Advice Cymru's response to the Equality and Social Justice Committee's inquiry into fuel poverty and the Warm Homes Programme**

### **1. Introduction**

- 1.1. The latest fuel poverty estimates, published in 2022, indicated that up to 45% of households in Wales were estimated to be spending 10% or more of their income on energy costs each month, with 8% spending 20% or more.<sup>1</sup> Alarming, this included almost all of the low incomes households in Wales.
- 1.2. The evidence we see from our advice services suggests that whilst there are no recent fuel poverty estimates available, high energy prices are adding sustained pressure to household budgets three years on from the start of the crisis.
- 1.3. In July, our research found that 3 in 5 (59%) households in Wales are worried about affording their energy bills this winter in light of the new price cap (£1717).<sup>2</sup> The impact of this is exacerbated by Wales having some of the least efficient housing in England and Wales, making homes expensive and difficult to heat, as well as more prone to damp and mould.<sup>3</sup>
- 1.4. As a result, households are being pushed into debt. Ofgem have recorded record levels of debt this year with over £3.7 billion in energy debt and arrears.<sup>4</sup> This has been reflected in the number of people needing support from our advice services with energy debt problems, including for help arranging repayment plans and dealing with enforcement. Since January, more than 5600 people in Wales have come to us for help with energy debt problems- more than double the number helped in 2019.

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<sup>1</sup> Welsh Government, [Fuel poverty modelled estimates for Wales: as at October 202](#), November 2022

<sup>2</sup> Citizens Advice Cymru, [Energy Affordability Autumn 2024|Fforddiadwyedd Ynni Hydref 2024 - Citizens Advice](#), October 2024

<sup>3</sup> The median efficiency score in Wales is 66 which is joint lowest out of the regions in England and Wales, with Yorkshire and Humber.

<sup>4</sup> Ofgem, [Debt and Arrears Indicators | Ofgem](#), June 2024

- 1.5. The people we help with energy debt are spending far more on energy than before the rise in prices. On average, our debt clients in Wales spend 56% more each month on electricity and 36% more on gas than in 2021, leaving far less for other essential costs and less flexibility to repay debts. This falls within the wider context of pressured budgets, with half (49%) of our energy debt clients now living on a negative budget.
- 1.6. This means they are likely to fall deeper into debt and will find it harder to afford debt repayments. Amongst our energy debt clients, the average level of energy debt has risen to a record of £1516 per household compared to £1159 at the same point in 2023- a 31% increase.<sup>5</sup>
- 1.7. We found that over a quarter of households (26%) in Wales struggled to keep their home warm last winter, with renters, households with children and those with a disability or long-term health condition amongst the hardest hit.<sup>6</sup> With higher levels of debt going into this winter, there is a very real concern that more households are at risk of going cold or taking drastic actions to cover bills. More than half (55%) of those who say they are worried about paying their energy bills say they would use less or switch off their heating or hot water this winter to manage their bills and 2 in 5 (41%) say they would need to cut back on or skip meals.<sup>7</sup>
- 1.8. Whilst have seen a decrease in people coming to us for advice after being moved or forced to prepay for their energy, we know that prepayment meter (PPM) users remain at a significant risk of disconnection, with 1 in 3 PPM users in Wales disconnecting during the last year because they could not afford to top up. Since January, we have seen 2529 PPM users struggling to top up.

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<sup>5</sup> Anonymised budget data is collected as part of debt assessments with clients coming for advice on debt. This analysis shows the trimmed mean for level of debt amongst clients with any energy debt.

<sup>6</sup> Citizens Advice Cymru, [Energy Affordability Autumn 2024|Fforddiadwyedd Ynni Hydref 2024 - Citizens Advice](#), October 2024

<sup>7</sup> Citizens Advice Cymru, [Energy Affordability Autumn 2024|Fforddiadwyedd Ynni Hydref 2024 - Citizens Advice](#), October 2024

**2. Whether there is an accurate picture of fuel poverty in Wales today, given that data is based on the 2008 Living in Wales Survey and 2017-18 Wales Housing Conditions Survey;**

- 2.1. High energy costs are here to stay. Despite a drop from their highest levels, the energy price cap for this winter rose to £1717 in October, still £500 higher than in 2021- pre energy-crisis.<sup>8</sup> Expert predictions show that wholesale prices are likely to remain higher than pre-crisis levels for the rest of the decade.<sup>9</sup>
- 2.2. Given sustained high energy prices, what we see in our advice services, and wider research, it is clear that the high fuel poverty estimates published in 2022 are still likely to broadly reflect the immense difficulty households are facing with energy costs. However, as referenced in the inquiry, these estimates are based on the Welsh Housing Conditions survey from 2017-2018, which is more than seven years old and cannot give us an accurate picture of people's current circumstances given the context of the pandemic and the cost-of-living crisis in the years since.
- 2.3. Given the context of sustained energy cost pressure, as well as the objectives of the Welsh Government's Tackling Fuel Poverty Strategy 2021-2035<sup>10</sup>, we strongly believe that up to date data is needed to provide regular, more reliable estimates of fuel poverty. This would facilitate much needed monitoring of targets and support the development of policies and initiatives aimed at combating fuel poverty.
- 2.4. In addition to the need for updated insight on Welsh housing conditions, there remain wide calls for a broader 'Welsh Housing Survey' which could collect both the data needed around energy efficiency and conditions of properties in Wales to estimate fuel poverty levels, as well as broader

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<sup>8</sup> Ofgem, [Energy price cap | Ofgem](#), October 2024

<sup>9</sup> Cornwall Insights, [New forecast warns power prices to remain elevated until late 2030s - Cornwall Insight](#), July 2023

<sup>10</sup> Welsh Government, [Tackling fuel poverty 2021 to 2035 \[HTML\] | GOV.WALES](#), March 2021

considerations and impacts of housing in Wales including the profile of households, tenure, costs, satisfaction and demand.<sup>11 12</sup>

- 2.5. Whilst we know that the Welsh Government is looking for ways to fill evidence gaps through recent consultations regarding adequate housing and homelessness, we believe that up-to-date survey data and independent insights are essential for the Welsh Government to make more informed decisions about policy direction and to monitor the impacts of policy changes more effectively.

### **3. The potential impact of changes to the eligibility criteria for the Winter Fuel Payment on fuel poverty in Wales;**

- 3.1. The question of energy costs and fuel poverty needs long term solutions. Energy support schemes have been vital to keep households afloat, but have also had serious limitations and shortfalls.
- 3.2. The Winter Fuel Payment (WFP), whilst crucial for many households, was not well targeted to low income pensioners, spreading support thinly across all income groups. It had also not been uprated in more than 20 years meaning it did not provide sufficient support to those who needed it most. Similarly, the Warm Homes Discount (WHD) aimed at low income households with high energy costs, also falls far short of what's needed to help people who are in the greatest need.<sup>13</sup> There is a clear and urgent need for ongoing, better-targeted support for all those who struggle to warm their homes, including low incomes families and pensioners.
- 3.3. In July of this year, before the announcement of the changes to the Winter Fuel Payment, more than half of the people in Wales we surveyed were concerned about keeping up with energy costs when energy prices increased in October. Large proportions of these expect to go without the

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<sup>11</sup> Senedd Research, [Everything we don't know about housing in Wales](#), August 2024

<sup>12</sup> Institute of Welsh Affairs, [Welsh Housing Survey: Better Data isn't a Partisan Issue](#), February 2021

<sup>13</sup> The scheme has never been set at a level which is based on an assessment of consumer need, and the level has rarely been uprated to reflect rising costs. In 2014 it was worth 12.5% of the average bill, but now only makes up just over 8%.

heat or hot water they need or skip meals to keep up with energy bills over the winter.<sup>14</sup>

- 3.4. Recent changes to the Winter Fuel Payment mean that pensioners in Wales are now facing a cliff-edge in support. Those on low incomes who are not quite eligible for Pension Credit, or those not yet in receipt of Pension Credit they would be eligible for, are set to lose access to up to £300 in additional support.
- 3.5. Based on the number of Pension Credit claimants at the time of the announcement, an estimated 400,000 households in Wales may no longer receive the payment<sup>15</sup>, including 80,000 who are eligible for Pension Credit but don't yet claim it.<sup>16</sup>
- 3.6. Whilst cold homes are detrimental to health in general, it is clear that some groups are particularly vulnerable to the impact of a cold or damp home, including those with particular health conditions, young children and older people.<sup>17</sup>
- 3.7. In light of this, it is essential that all those eligible for Pension Credit are able to access it to ensure they also receive related support, including the Winter Fuel Payment. We have welcomed actions from the Welsh Government to promote and facilitate the uptake of Pension Credit in Wales to secure support for all those who should be eligible for the payment.<sup>18</sup>
- 3.8. Local Citizens Advice offices in Wales also continue to work with MPs, councils and food banks to increase awareness of Pension Credit. Since the start of September we have seen at least a 153% increase in unique

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<sup>14</sup> Citizens Advice Cymru, [Energy Affordability Autumn 2024](#)|[Fforddiadwyedd Ynni Hydref 2024 - Citizens Advice](#), September 2024

<sup>15</sup> <https://questions-statements.parliament.uk/written-questions/detail/2024-07-30/2641>

<sup>16</sup> <https://olderpeople.wales/news/commissioner-urges-rethink-on-winter-fuel-payment-means-testing/>

<sup>17</sup> Public Health Wales, [Cold homes and their association with health and well-being: a systematic literature review](#), February 2024

<sup>18</sup> Welsh Government, [Check what financial support you might be entitled to | GOV.WALES](#), November 2024

clients accessing advice about Pension Credit every week compared to the same weeks in 2023/24.

- 3.9. However, these changes emphasise the need for the UK Government to look at energy support as a whole. Our analysis has shown that an uptick in Pension Credit claimants could inadvertently put serious pressure onto the Warm Home Discount as people who receive the Pension Credit Guarantee Credit also automatically receive the WHD. However, because the overall WHD budget is fixed, this could lead to fewer rebates being provided to working age families.<sup>19</sup>
- 3.10. Looking ahead, Citizens Advice have shown how an improved Warm Homes Discount has the potential to provide better targeted, more effective support to all households on lower incomes, including pensioners.<sup>20</sup>
- 3.11. We believe that the UK Government should transition to a tiered system that provides varying levels of financial support based on energy needs.<sup>21</sup> For example, households with the highest energy costs would receive a larger discount. In doing so, this would protect groups that are more vulnerable to high energy costs such as households with children and low-income pensioners.
- 3.12. Furthermore, we recommend an expansion to the eligibility criteria to include more households, such as those on means-tested benefits who do not currently qualify for the WHD under its existing eligibility requirements. The level of WHD support should also be reviewed and adjusted annually to address the volatility in energy prices. This adjustment would allow support to remain proportional to actual energy costs ensuring households continue to receive adequate relief as prices fluctuate.

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<sup>19</sup> Citizens Advice, [Fixing the foundations: The need for better targeted support for energy consumers](#) - Citizens Advice, August 2024

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

3.13. The UK Government did not promise any further energy support this winter in the Autumn Statement, leaving many anxious about how they will manage this winter. Given that the opportunity to implement a tiered WHD or increase payments by the upcoming winter has now passed, we believe the UK Government should urgently consider ways to provide additional targeted support this winter for people in most need.

**4. The detail of the new Warm Homes Programme, including the energy efficiency measures offered, changes to eligibility criteria, the approach to delivering advice services, and the development of an area based approach;**

- 4.1. The Welsh Government has defined the Warm Homes Programme as their 'primary mechanism to tackle fuel poverty', setting out to ensure that 'we leave no-one behind as we move to a cleaner, stronger, fairer Wales, through the twin objectives of tackling fuel poverty and the climate emergency'.<sup>22</sup>
- 4.2. The ongoing pressures of energy prices on households bring the dual challenges of eradicating fuel poverty and transitioning to net zero into sharp focus. It is well evidenced that increasing the energy efficiency of homes keeps them warmer and requires less energy to heat as well as preparing homes for the transition to low carbon heat.
- 4.3. Our analysis of energy consumption by EPC in December 2022, showed that the average home pays an 'inefficiency penalty' of almost £350 a year compared to a home with an EPC C, with the worst insulated homes wasting more than £900.<sup>23</sup>
- 4.4. With 3 in 4 privately owned homes failing to reach the EPC C target, Wales has a long way to go to reach their 2035 targets.<sup>24</sup> This means over a half a million households are wasting money on heat that escapes through leaky buildings.

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<sup>22</sup> Welsh Government, [New Warm Homes Programme: policy statement \[HTML\] | GOV.WALES](#), June 2023

<sup>23</sup> Citizens Advice, [Grinding to a halt? Removing the roadblocks to increased energy efficiency and decarbonisation of private housing in Wales - Citizens Advice](#), December 2022

<sup>24</sup> Ibid.



- 4.5. Citizens Advice has supported the development of the most recent iteration of the Warm Homes Programme and sees it as a crucial element of the Welsh Government's strategy to combat fuel poverty. We previously outlined how the previous iteration of the scheme was not contributing enough progress towards fuel poverty targets, and was at risk of becoming a 'boiler replacement scheme' by *prioritising* fossil fuel heating measures and therefore *restricting the insulation of homes* as a result of a low spend cap.<sup>25</sup>
- 4.6. During the consultation phase for the new iteration of the scheme, we recommended, alongside other Fuel Poverty Coalition Cymru partners, that insulation and other fabric improvements become the cornerstone of the next iteration of the WHP.<sup>26</sup>
- 4.7. We supported a significantly higher cost cap in the new iteration and the flexibility to make multiple applications, to facilitate a longer-term 'whole house' approach to retrofit, as well as widening the eligibility to those on low incomes who are not in receipt of means tested benefits. This helps to ensure that there is better targeting of households who are in need for this support.
- 4.8. We were pleased that these recommendations were implemented in the new iteration of 'Part One' of the scheme, which is currently operational. This enables the scheme to focus on deeper retrofit of homes, including prioritising insulation and low carbon technologies where they are suitable for the property and would not cost the occupant more in bills.<sup>27</sup>
- 4.9. However, we are concerned that in practice, the new NEST scheme currently risks *reducing* the available support to households in fuel poverty and *restricting* support based on the suitability of low carbon technologies.

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<sup>25</sup> Ibid.

<sup>26</sup> Citizens Advice, [Citizens Advice response to the consultation on Proposals for the next iteration of the Warm Homes Programme](#), April 2022

<sup>27</sup> Welsh Government, [New Warm Homes Programme: policy statement \[HTML\] | GOV.WALES](#), June 2023

- 4.10. As the primary scheme to address fuel poverty, it is extremely concerning that evidence we are hearing through Fuel Poverty Coalition Cymru members, suggests that some households are unable to access the full range of measures available through the scheme if a heat pump is not a viable option for their home (either as a result of their property being unsuitable for this or if this risks higher energy costs).
- 4.11. Most worryingly, this also means that should they not be able to install a heat pump, but have a broken boiler, they are not receiving help to replace or repair the existing heating system, leaving them with no hot water or heating.
- 4.12. Responding to the proposed changes to the scheme in 2022, we emphasised that, '...it is right that where electrified heating would result in energy bills that are unaffordable that a pragmatic approach needs to be taken' and outlined that, '...while this may not make some homes net zero at this initial stage, it will nevertheless meet the aims of alleviating fuel poverty, tackling the climate emergency and creating a socially just nation.'<sup>28</sup>
- 4.13. Following concerns raised by members of the Fuel Poverty Coalition Cymru, the Welsh Government has proposed a boiler repair scheme on a trial basis for 2024-25. However, the eligibility criteria for the scheme is extremely limited in only providing this support to those in narrow age brackets such as the over 75s and under 2 or those with 'severe health issues including those with a medical dependency on a warm home' or 'households with occupants with terminal illness'. There is no inclusion of a boiler replacement scheme which also excludes households where a boiler cannot be repaired.
- 4.14. The approach to boiler repair and replacement appears to be at odds with the intention and principles of the scheme, which aims to combat fuel poverty. This also contradicts the policy statement that outlined that,

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<sup>28</sup> Citizens Advice, [Citizens Advice response to the consultation on Proposals for the next iteration of the Warm Homes Programme](#), April 2022

'...it is important the new Warm Homes Programme has some flexibility to support the most vulnerable in our society in exceptional circumstances.'<sup>29</sup>

- 4.15. The policy statement for the scheme outlined that 'when moving from fossil fuels to an electric heating system would cause a significant increase in running costs (due to the complexities of the fabric improvement) the priority could be the repair of energy efficiency gas boilers.'<sup>30</sup> We are disappointed that this new guidance on boiler repair appears to be limiting people's access to repairs and replacement in practice.
- 4.16. By nature of the NEST eligibility criteria, all those who apply will be living on a very low income, live in an inefficient home or have a medical condition that is exacerbated by living in a cold home. To narrow the criteria further for boiler repairs (and to exclude replacements altogether) risks leaving households who cannot afford to carry out measures themselves in dire situations, especially over the winter months.
- 4.17. We believe that the Government should reconsider the guidance for the boiler repair and replacement eligibility to ensure that all households who are without a working heating system can access whatever measure is most appropriate for them at this time.

**5. How changes from the previous programme will impact delivery, particularly in terms of the numbers of households that will be supported;**

**'Part One' of the Warm Homes Programme- NEST**

- 5.1. The key objective of the Warm Homes Programme is to tackle fuel poverty in Wales, whilst also progressing energy efficiency of poorly insulated homes. As outlined above, we believe aspects of 'Part One' of the scheme need stronger safeguards to avoid inadvertently worsening the effects of

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<sup>29</sup> Welsh Government, [New Warm Homes Programme: policy statement \[HTML\] | GOV.WALES](#), June 2023

<sup>30</sup> Ibid.

fuel poverty for some households, whose current situation is not suitable for low-carbon heating.

- 5.2. Another key concern in the longer-term is that the level of funding currently allocated to 'Part One' of the Warm Homes Programme, falls far short of the total funding needed to meet its goals, including an estimated 89% shortfall reaching EPC goals for privately rented housing.<sup>31</sup>
- 5.3. Alongside the goals set by both the UK and Welsh Governments to get all homes up to EPC C rating by 2023, the key fuel poverty targets set out in the Tackling Fuel Poverty strategy are that by 2035:
- No households are estimated to be living in severe or persistent fuel poverty as far as reasonably practicable;
  - Not more than 5% of households are estimated to be living in fuel poverty at any one time as far as reasonably practicable;
  - The number of all households "at risk" of falling into fuel poverty will be more than halved based on the 2018 estimate
- 5.4. Looking ahead, we believe that the Welsh Government should progress plans to assess the overall level of funding needed to achieve these goals to identify funding gaps and identify opportunities. This could include utilising future consequential from the UK Government's Warm Homes Plan, and facilitating the best use of private funding.

### **Interim targets**

- 5.5. We have also strongly welcomed mention of developing interim targets around fuel poverty in the proposed updates on the Fuel Poverty Plan 2021-2035. We believe that interim targets are vital for defining the role that the Welsh Government will play in progressing fuel poverty goals within the levers available to them and ensure regular monitoring of progress. We believe that this action could be strengthened by including the action to develop and *introduce* targets.

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<sup>31</sup> Chartered Institute of Housing, [Decarbonising Wales' Private Rented Sector](#), July 2022

## **'Part Two' of the Warm Homes Programme**

- 5.6. In order to reduce fuel poverty and contribute to the net zero transition, we believe that there is an important role to be played by an area-based scheme, building on Arbed. Whilst 'Part Two' of the Warm Homes Programme was cited in the Policy Statement for the programme in 2023, there is currently no further information known about the area-based element of the scheme.
- 5.7. As outlined in our response to the initial consultation on this iteration of the Warm Homes Programme, we believe that an area-based scheme under the WHP could utilise all funding sources available to households in different financial circumstances in order to deliver a more viable street by street approach and could therefore play a unique role in deploying Welsh Government and ECO funding side by side.<sup>32</sup>

## **6. The effectiveness of support available to households in or at risk of fuel poverty, in addition to the Warm Homes Programme;**

- 6.1. The Welsh Government has provided vital funding to provide fuel vouchers to households on prepayment meters as well as support for off-grid households. We are also pleased that additional funding has been made available to fund Warm Hubs this winter.<sup>33</sup> We know this support has been a lifeline for those at the sharp end of the crisis.<sup>34</sup>
- 6.2. It is well understood that prepayment meter users in fuel poverty remain at significant risk of disconnection. We have seen over 2500 PPM users struggling to top up since January- 8 times more than in 2021. Last winter, we found that a third of PPM users in Wales had been disconnected from their energy supply in the past year because they couldn't afford to top up. Three quarters, (72%) said this had a negative impact on their mental health, and 43% said it had a negative impact on their physical health.

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<sup>32</sup> Citizens Advice, [Citizens Advice response to the consultation on Proposals for the next iteration of the Warm Homes Programme](#), April 2022

<sup>33</sup> Welsh Government, [£1.5m for safe and warm hubs across Wales](#), October 2024

<sup>34</sup> Welsh Government, [Written Statement: Welsh Government Fuel Voucher Scheme \(10 June 2022\)](#)

- 6.3. Our recent research has highlighted the crucial role that crisis support continues to play for households in Wales.<sup>35</sup> Despite some easing to household budgets, our recent analysis found that comparing the first 8 months of 2022 and 2024, our local Citizens Advice offices saw a 17% rise in the number of people coming to them in crisis situations.<sup>36</sup>
- 6.4. Since the start of the year, we have helped more than 6000 people in Wales to access a fuel voucher.<sup>37</sup> We also know that fuel poverty is part of a broader context, with many needing multiple forms of support. In 2023, 1 in 4 (26%) of the people who came for a food bank referral also needed a fuel voucher referral and 1 in 5 (21%) needed help with the Discretionary Assistance Fund (DAF).
- 6.5. Additionally, our advisers in rural Wales emphasised the value of support for off-grid households. In focus groups, advisers highlighted the support from Welsh Government provided through the Fuel Bank Foundation (FBF) Heat Fund, which provides up to £500 for off-grid fuel support, and told us they use it regularly to help their clients living off-grid with fuel support. Advisers noted that, whilst still very welcome, off-grid support offered through the DAF (£250) fell short of the minimum order amount needed for an order of oil, meaning that some off-grid clients were unable to order fuel despite this support.<sup>38</sup>
- 6.6. To reduce the growing reliance on crisis support for everyday essentials and bills, broader policy reforms are needed, many of which are the responsibility of the UK Government, including targeted energy support. However, given the current fiscal landscape, combined with the time it will take to implement many of these changes (if taken forward), there is a need to maintain and strengthen a permanent crisis support scheme in Wales (such as the Discretionary Assistance Fund) to help people now and

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<sup>35</sup> Citizens Advice Cymru, [Reaching crisis point: the story in Wales](#)[\[Cyrraedd pwynt argyfwng: y stori yng Nghymru - Citizens Advice\]](#), October 2024

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

<sup>38</sup> Ibid.

over the coming months. We outlined our recommendations to protect and expand crisis support in our recent report.<sup>39</sup>

## **7. How the Welsh Government is working with the UK Government to address fuel poverty.**

- 7.1. This year so far we have seen 328 clients who have been moved onto a prepayment meter or switched to prepay on their smart meter in order to repay arrears. As outlined above, PPM users remain particularly vulnerable to unaffordable energy costs.
- 7.2. We have strongly welcomed the Welsh Government's work in highlighting the impact of forced PPM installation for the collection of arrears to Ofgem, the UK Government and energy suppliers during the cost of living crisis. Despite the new Licensing Conditions for suppliers, we do continue to see problems where companies are not adhering to the conditions. In the context of record debt levels, it will therefore be vital to continue monitoring the installation of prepayment meters to ensure that vulnerable households are protected, as well as continuing to highlight issues when they arise.
- 7.3. As outlined in Section 3 of this response, alongside improving the energy efficiency of homes, we believe that targeted energy support is essential going forwards to protect people in Wales from fluctuating energy prices and fuel poverty. The Welsh Government has previously supported proposals for a social tariff and we would welcome the government continuing to do so, despite the UK Government making no commitments to this support in their Autumn Budget.

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<sup>39</sup> Ibid.