

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

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

FP11

Ymateb gan: Cyngor ar Bopeth Sir Ddinbych | Response from: Citizens Advice Denbighshire



Fuel Poverty in Wales

Senedd Consultation Response

November 2024



Citizens Advice Denbighshire is an independent charity seeking to provide free, confidential, independent and impartial advice and support to all in Denbighshire, no matter their background or circumstances, and no matter their issue.

We are the official welfare rights and consumer advice service of Denbighshire County Council and our aims are to reduce poverty, improve financial and personal resilience, and prevent homelessness, thereby contributing to improved wellbeing within our community.

As part of our responsibility to improve the policies and practices that affect people's lives, we are pleased to have the opportunity to contribute to the Equality and Social Justice Committee's consultation on fuel poverty in Wales.

This consultation response is informed by the experiences of our staff and volunteers in Denbighshire in the course of providing advice and support to those who have asked for our help, particularly in regard to the provision of energy-related advice. This report will follow the terms of reference set out by the Committee in their consultation document.

1. Executive Summary

1.1 The reliance on pre-Covid and pre-Ukraine war data for assessing fuel poverty leads to a significant underestimation of the problem. Our data reveals a consistently higher demand for energy-related advice and support compared to 2018, indicating that the cost of living crisis has become the "new normal".

1.2 Changes to the Winter Fuel Payment eligibility criteria, while expanding slightly, will negatively impact many people's ability to afford fuel costs. The continued exclusion of Housing Benefit and Council Tax Reduction recipients from eligibility is particularly concerning, as they are financially vulnerable and may now struggle to afford heating with the removal of this universal benefit. Additionally, the freezing of Local Housing Allowance and the limited increase in Universal Credit will exacerbate the difficulties people under the pensionable age have in paying fuel bills.

1.3 While the Warm Homes Programme has potential to help alleviate fuel poverty, experiences with it are mixed. The expanded eligibility criteria are positive, but interventions often focus solely on heating system improvements without addressing inadequate insulation, particularly in older housing stock.

1.4 The push for low-carbon measures like air-source heat pumps *without* proper insulation can be counterproductive in the short and medium-term, given the high cost of electricity compared to gas. Installing these systems without addressing insulation can actually increase energy costs for residents.

1.5 New, efficient gas boilers (particularly those that are hydrogen-blend-ready, to help meet emission targets should hydrogen be introduced to the gas network) should be included in upgrade schemes.

1.6 The support available to households facing fuel poverty is ineffective. The limited options beyond the Winter Fuel Payment and Warm Homes Programme often force clients to

choose between heating and basic necessities, though a financial inability to choose between the two is becoming more common. Emergency measures like the Discretionary Assistance Fund and prepayment meter vouchers have become routine support, highlighting the inadequacy of current systems.

1.7 The success of ECO funding depends on the installers participating in the scheme. There are difficulties finding installers who can implement adequate insulation upgrades, which are necessary for the efficient use of electric heating systems.

1.8 There appears to be limited cooperation between the Welsh and UK Governments in addressing fuel poverty, evidenced by the reaction to the Winter Fuel Payment changes. UK Government responsibilities, such as the link between electricity prices and wholesale gas prices, despite increasing reliance on renewable energy sources, further complicate the issue. Additionally, the ineffectiveness of the energy regulator, Ofgem, in protecting consumers adds to the burden for people across the county and country.

1.9 A more long-term approach to tackling fuel poverty is required, with a need for:

- Updated data collection that accurately reflects the current situation.
- A genuine whole-house approach within the Warm Homes Programme that prioritises insulation alongside heating system improvements.
- Consideration of newer, more efficient gas boiler replacements as a short-to-medium-term solution, especially given the high cost of electricity.
- A reform of existing support mechanisms to address the inadequacy of emergency measures and the need for more sustainable solutions.
- Greater cooperation between the Welsh and UK governments to address the interconnected challenges of fuel poverty, particularly focusing on addressing the issues of energy market regulation and volatility to better protect consumers.

1.10 We urge a shift from short-term crisis management to long-term sustainable solutions that address the root causes of fuel poverty and provide effective support to those in need.

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 The current data used to assess fuel poverty is significantly outdated, relying on pre-Covid and pre-Ukraine war information. The data does not account for the substantial increases in energy prices and the relatively static benefit levels, resulting in a significant underestimation of fuel poverty in Wales.

2.2 Our data suggests that the cost of living crisis is less of an extraordinary moment but rather a new normal cost of living for the foreseeable future. High energy prices, accompanied by a relative stagnation in welfare benefits and the removal of winter fuel

support payments and other interventions, have resulted in a consistently higher demand for advice and support on energy-related issues compared to that in 2018.

2.3 To illustrate the increasing demand for energy advice, *Figure 1* shows the cumulative number of citizens in Denbighshire we've helped with energy issues each year from 2018 (the year of the data used by the Welsh Government in the 2017-18 Housing Conditions Survey), accompanied by general trend lines.

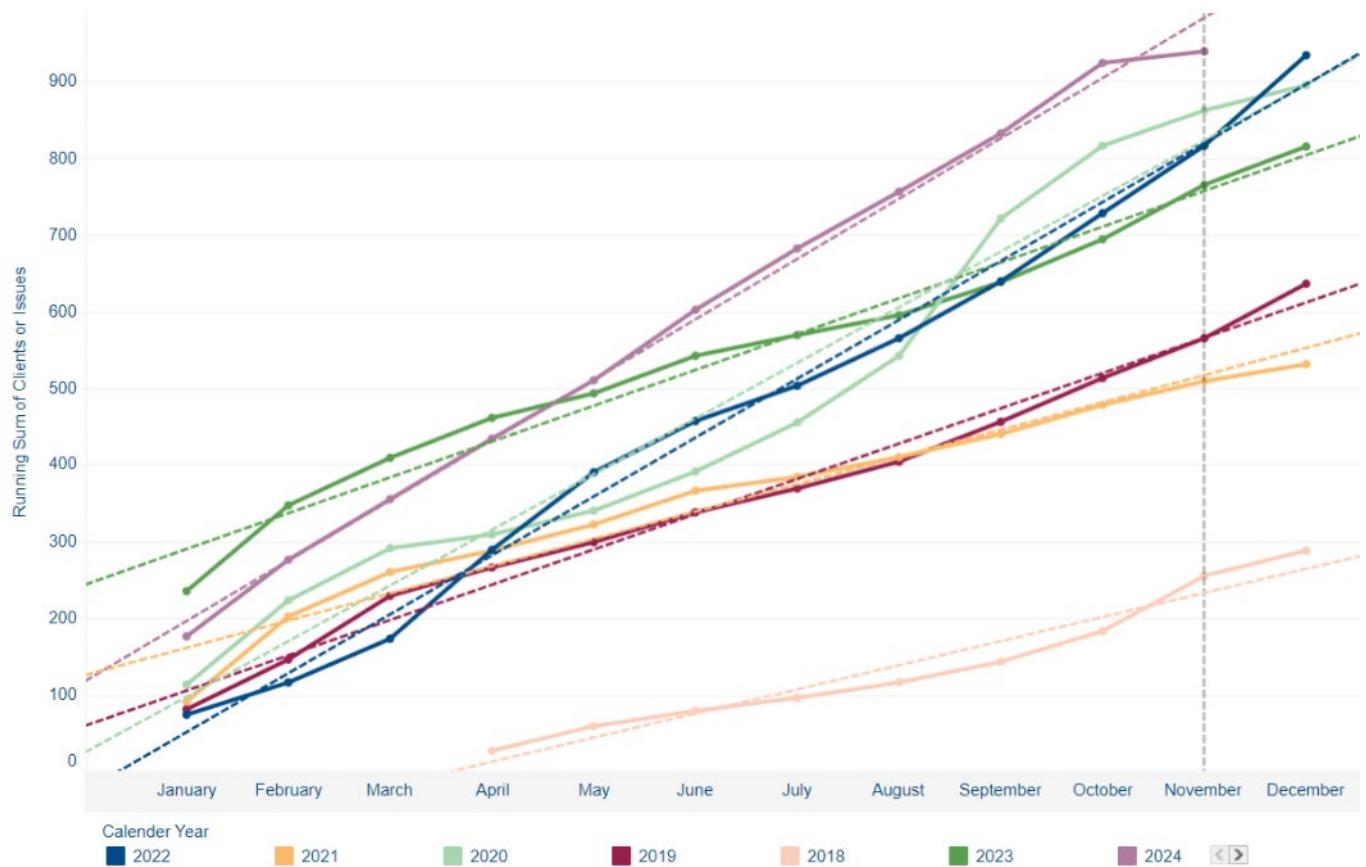


Figure 1. Cumulative number of people helped with energy issues each year.

2.4 Our data demonstrates that the demand for energy advice in Denbighshire - and indeed all advice areas - was modest in 2018 relative to the following years. From 2019, the need for this advice and support throughout the year increases in part due to our securing funding specifically for a specialist energy advice, escalating further in 2020 explained partly by more people working from home and houses requiring heating throughout the day, before falling again slightly in 2021, explained in part by the introduction of Welsh and UK Government cost of living payments aimed at alleviating energy costs.

2.5 A further increase in demand for energy advice coincides with the first dramatic increase in the price cap announced in April 2022 (see the dark blue line). Since this first price cap increase, and subsequent increases, the need for energy advice and support has only continued to grow. So far in 2024, we're seeing more clients asking for advice and support on energy costs than ever before.

2.6 Using the definition for fuel poverty given by the Welsh Government¹ for fuel poverty (i.e. households needing to pay more than 10% of their full household income to maintain a satisfactory heating regime), our advisers have estimated that the vast majority of clients who experience income poverty also face fuel poverty.

2.7 We can illustrate this further with the experience of one of our clients; an individual with a household income between £15,000-19,900 per year (£1,663.58 per month at the highest end of this income bracket). Despite receiving everything they're entitled to, including Universal Credit with housing and child elements, their energy bills of £173.33 per month (10.4% of their monthly income) pushed them into fuel poverty.

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

3.1 The changes to the Winter Fuel Payment eligibility criteria are expected to have a significant negative impact on our clients' ability to afford fuel costs this winter. While the inclusion of Universal Credit and Child Tax Credit slightly expands eligibility, but only in the circumstances of a mixed-age couple and guardianship over a child respectively, other changes (such as the inclusion of income-based Employment Support Allowance, income-based Jobseekers' Allowance, Income Support, and Working Tax Credit) are not relevant to most people claiming the State Pension.

3.2 Excluding Housing Benefit and Council Tax Reductions from eligibility means that individuals on these benefits, who are considered financially vulnerable enough to receive these welfare benefits in the first place and who don't qualify for the Warm Home Discount Core Group 2 fuel-poor rebate, will lose the support of the Winter Fuel Payment through the ending of universal entitlement and may struggle this winter to afford fuel costs. The harmful relationship between a cold home and general poor health is well documented².

3.3 The Winter Fuel Payment has been reformed to become effectively a supplement to Pension Credit, which has a threshold that is itself too low to adequately support low-income pensioners. Homeowners, too, are less likely to qualify for Pension Credit or the Warm Home Discount, and the changes to the Winter Fuel Payment will further reduce their income at a time when many are at their most vulnerable financially and physically.

3.4 The changes to the Winter Fuel Payment may be unfair. A single pensioner receiving the new State Pension, a small occupational pension (£50 per week), a disability-related benefit, and savings under £24,000, may still be entitled for Pension Credit and retain their Winter Fuel Payment. Single pensioners receiving only the new State Pension, with no savings or disability-related benefits, have lost that entitlement.

¹ Welsh Government (2021). Tackling fuel poverty 2021 to 2035. <https://www.gov.wales/tackling-fuel-poverty-2021-2035-html>

² Senedd Research (2024). Cold and damp homes: What is being done to address housing related ill-health? <https://research.senedd.wales/research-articles/cold-and-damp-homes-what-is-being-done-to-address-housing-related-ill-health/>

3.5 Given the Local Housing Allowance has been frozen for the next financial year and Universal Credit is set to rise by only 1.7%, paying fuel bills will remain extremely difficult or even impossible for many already receiving support under the pensionable age.

4. The details 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 Our experience of the current Warm Homes Programme is mixed. The expansion of the eligibility criteria to include households with an EPC rating of E and below (or D and below when the resident has an eligible health condition) and to include the sliding scale low-income threshold, alongside the exemption of disability-related benefits from counting as income, is welcomed. Investments in houses with better insulation can benefit from more efficient heating systems, but these improvements aren't necessarily appropriate for all eligible households.

4.2 We've noticed that the experience of those benefiting from the Warm Homes Programme can vary regionally with the scheme limited by the capacity of local companies involved. This is a particular issue when it comes to finding installers to commit to the improvement of insulation in our older housing stock. Nonetheless, we're finding that our clients may still be offered low carbon measures, such as electric air-source heat pumps, without this insulation being installed.

4.3 There seems to have been a similar issue with the previous iteration of the programme, with the Warm Homes Nest Scheme Annual Report 2022-23 confirming that insulation accounted for just 6.6% of all measures installed that year, 0.1% being enhanced insulation³.

4.4 One of the Welsh Government's ambitions through the Warm Homes Programme is to invest in "*low carbon measures such as heat pumps or solar panels with battery storage.. [that] will make households more resilient to rising energy prices in the future*"⁴. At present, however, replacing gas boiler systems with electronic air-source heat pump systems without improving the insulation of the housing stock can have the opposite effect - as acknowledged by the former Minister for Climate Change upon the announcement of the new Warm Homes Programme⁵.

4.5 This is particularly problematic as the price of electricity is currently four times more expensive than gas. A kilowatt hour (kWh) of gas costs 6.24p, whereas a kWh of electricity costs 24.50p⁶. This has resulted in a resistance from our clients to transfer to electric heating systems.

³ Welsh Government (2023). Warm Homes Nest scheme: annual report 2022 to 2023. (<https://www.gov.wales/warm-homes-nest-scheme-annual-report-2022-2023-html>)

⁴ Welsh Government (2024). New Warm Homes Programme: integrated impact assessment. (<https://www.gov.wales/new-warm-homes-programme-integrated-impact-assessment-html>)

⁵ The Climate Change Minister stated on the 12th March 2024 that "there's no point in putting an air source heat pump into a house that leaks like a sieve". Senedd Cymru (2024). Plenary 12/03/2024. (<https://record.senedd.wales/Plenary/13743#A86301>)

⁶ Ofgem (2024). Energy price cap. <https://www.ofgem.gov.uk/energy-price-cap>

5. The extent to which the Warm Homes Programme is helping to address persistent fuel poverty in Wales, and if not, what further action is needed.

5.1 The Warm Homes Programme has the potential to help alleviate fuel poverty and the focus on a whole-house approach is encouraging. To date, however, we have found interventions to be largely focused on improvements to heating systems.

5.2 As housing in Wales is generally old and houses built prior to 1930 are likely to be single-wall and not cavity insulated, this whole-house approach is vital to improving both energy efficiency and alleviating fuel poverty. The ECO4 funding leveraged by the Warm Homes Programme does not appear to adhere to this approach consistently and is dependent on the installers signed up to the scheme in the area. In an effort to alleviate fuel poverty and to avoid exposure to ever-increasing electricity costs, we've had the need to refer a client on to Care & Repair who were able to find a company based in England to install a new gas boiler system.

5.3 Extending the range of improvements to include newer, more efficient gas boiler replacements would help alleviate fuel poverty more effectively given the high cost of electric systems in households not currently well-equipped for efficient heat retention.

5.4 While this may seem to contradict the Welsh Government's aim to use the Warm Homes Programme to help meet net-zero carbon emission targets, in the short to medium-term efficient gas boiler systems in more properties could have a more immediate impact in alleviating fuel poverty and could result in lower carbon emissions than if older, less efficient gas heating systems were not replaced at all.

5.5 It is not necessary to create a trade-off between alleviating fuel poverty and reducing household carbon emissions. In the longer term, British Gas notes that many of these newer, widely available gas boilers are 'hydrogen-blend ready' and would be able to use a 20% hydrogen blend "*without any problems*"⁷. The UK Government is exploring the feasibility of introducing hydrogen into the gas network, with a decision expected in 2026⁸.

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 support available to households in or at risk of fuel poverty is not very effective.

6.2 On average throughout 2023-24, 25% of our client base sought our advice and support on issues relating to fuel (gas, electricity, etc.) and water bills. This fluctuated throughout the year, rising to 30% in December and sitting at 16% in July, highlighting a well-known greater need in the winter months. As such, support such as the Winter Fuel Payment and access to

⁷ British Gas (2023). How might hydrogen help heat our homes? <https://www.britishgas.co.uk/the-source/greener-living/hydrogen-heating.html>

⁸ Foot Ansley LLP (2024). Green hydrogen: Can Labour deliver on its plans to double production? <https://www.lexology.com/library/detail.aspx?g=64bd3fa5-ee8b-4467-9cb6-db7d1dabc913>

the Warm Homes Programme, can be vital tools in helping alleviate higher energy costs in these months.

6.3 Outside of the Winter Fuel Payment and the Warm Homes Programme, there are limited options available to our clients in helping to alleviate fuel poverty, and whereas before clients were often faced with a choice between '*eating and heating*', now we're finding clients frequently return to Citizens Advice Denbighshire with a recurring issue: an inability to afford both fuel costs *and* basic necessities such as food. As these financial pressures on income and fuel poverty are rarely isolated, support in aid of alleviating income poverty can help alleviate fuel poverty and vice-versa.

6.4 In these circumstances, alongside our routine income maximisation assessments, we can utilise the Discretionary Assistance Fund (DAF), prepayment meter vouchers, and food bank vouchers. These tools were once considered emergency measures to help somebody in a moment of crisis but have now become a standard support to address immediate and urgent needs prior to an income maximisation calculation.

6.5 While these urgent payments are now necessarily distributed routinely and in increasing urgency, the design of these interventions is still based on them being one-off crisis payments rather than tools with which to alleviate fuel poverty. DAF payments are limited to 3 receipts in a 12-month period (notwithstanding possible applications in circumstances of exceptional need) and the fuel vouchers our advisers have access to are limited to 6 receipts in a 12-month period. For those receiving Universal Credit and struggling with their energy bills in between payments, once one advance payment has been made clients cannot apply for another and may be forced to seek support through these emergency payment measures.

6.6 These support measures were designed for those most in need in the context of a general cost of living that no longer exists and, as a result of rising prices, stagnating welfare benefit rates, and wages, these measures are inadequate in addressing crises.

6.7 *Figure 2* illustrates the gradual increase in the number of clients in Denbighshire asking for advice and support for foodbank vouchers, energy-related issues, and fuel-related debts. The dramatic peak in 2020 can be attributed to the height of the pandemic (as mentioned previously) but it is clear that the demand for all three issue areas increased from 2022 and has maintained an average level of demand much higher than that before Covid-19.

6.8 There are even fewer means of support for those living in more rural areas and reliant on oil heating systems as prepayment meter vouchers are not generally applicable for those not connected to the mainline gas network. For people who are in fuel poverty in these areas, support is generally limited to DAF payments and access to these is very limited, as noted above, as well as some rural-specific grants. The trusted partner-only route to accessing these discretionary payments is a potential barrier to those in need accessing this support - assuming the most vulnerable are aware the support exists in the first place.

6.9 An improvement to the support available to alleviate fuel poverty could be the integration of a fuel element to Universal Credit, though this falls beyond the scope of the Welsh Government's responsibilities.

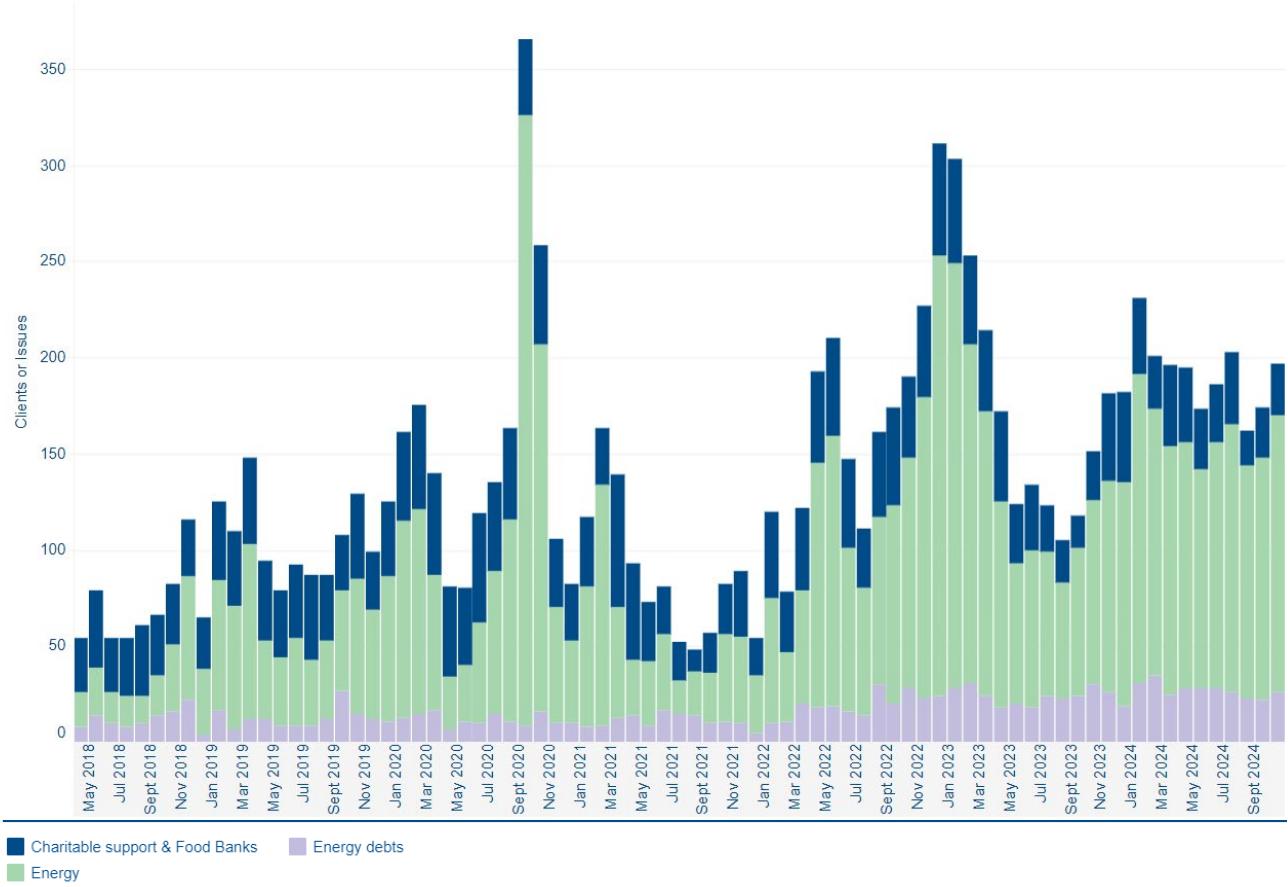


Figure 2. Number of clients making inquiries about food bank availability, energy-related issues, and energy-related debts.

7. How effective local authorities have been at accessing and utilising ECO Flex funding.

7.1 The ECO4 scheme in Denbighshire is managed by Flintshire County Council on Denbighshire County Council's behalf, with all installers approved, records held, and applicability overseen by Flintshire County Council⁹.

7.2 As we've highlighted previously in this response, the success of the ECO Flex funding is dependent on the installers signed up to the scheme itself and although insulation is included in the scheme, we've noticed a difficulty in finding installers to implement adequate insulation upgrades to allow our clients to take advantage of electronic heating systems efficiently.

8. How the Welsh Government is working with the UK Government to address fuel poverty.

8.1 The extent of cooperation between the Welsh Government and the UK Government in alleviating fuel poverty in Wales remains to be seen.

⁹ Denbighshire County Council (2024). ECO4 Flexible Eligibility Statement of Intent.

<https://www.denbighshire.gov.uk/en/documents/benefits-grants-and-money-advice/adapting-or-improving-a-property/flexibility-eligibility/flexible-eligibility-statement-of-intent-v3.pdf>

8.2 The Welsh Government's initially adverse reaction to the UK Government's decision to remove the universal eligibility for the Winter Fuel Payment for those receiving the State Pension suggests that there was little communication between the governments with relation to address fuel poverty.

8.3 The volatility of electricity prices - an issue reserved to the UK Government - which are still linked to wholesale gas market prices due to the marginal pricing system, adds to the challenge of accurately assessing fuel poverty. While in 2023, only 32% of the UK's energy supply came from natural gas and 51% from zero-carbon power sources¹⁰, the price of electricity is still tied to the wholesale price of natural gas.

8.4 While reform of the wholesale markets are outside the scope of the Welsh Government's powers and the scope of this Senedd consultation, this serves to illustrate the need for longer-term reform and an exploration of potentially decoupling markets, nodal energy systems, and further investment in more low margin renewable energy sources. The Welsh Government and/or the Senedd could make representations to the UK Government on this front.

8.5 Ofgem, the energy regulator, can be ineffective (and may be seen as ineffective) in its protection of consumers. When the energy crisis initially hit and smaller energy companies fell into administration, such as in the case of Bulb Energy's collapse, outstanding charges were carried over to new suppliers and were therefore recoverable. However, the UK Government's Department for Business, Energy, and Industrial Strategy (BEIS) agreed with Bulb's buyer, Teneo, to allow credit balances to be used as working capital¹¹, with Ofgem backing down from ring fencing these balances. Consumers continue to bear the burden of energy companies' unrecovered debts through the standing charge¹². This was blatantly unfair and although it is not the normal way of operating¹³, consumer confidence in the UK Government, the energy regulator, and energy companies at a moment of crisis may have been negatively impacted.

8.6 The Welsh Government could do more to urge the UK Government to consider reforms to energy regulation alongside more adequate mitigations to the new cost of living.

For more information and recommendations, please see Citizens Advice Cymru's October 2024 report on the cost of living in Wales: [Reaching Crisis Point](#).

¹⁰ National Grid (2024). Energy explained. <https://www.nationalgrid.com/stories/energy-explained/how-much-uks-energy-renewable>

¹¹ National Audit Office (2023). Investigation into Bulb Energy. p 39. <https://www.nao.org.uk/wp-content/uploads/2023/03/investigation-into-bulb-energy.pdf>

¹² Ofgem (2024). Decision on extension to additional support credit bad debt cost allowance. <https://www.ofgem.gov.uk/decision/decision-extension-additional-support-credit-bad-debt-cost-allowance>

¹³ Ofgem (2024). What happens if your energy supplier goes bust <https://www.ofgem.gov.uk/what-happens-if-your-energy-supplier-goes-bust>

Gall pob un ohonom ni wynebu
problemau sy'n teimlo'n gymhleth neu
sy'n codi ofn arnom.

Yng Nghyngor ar Bopeth Sir Ddinbych,
credw'n na ddylai unrhyw un orfod
wynebu'r problemau hyn heb gyngor
annibynnol o safon uchel.

Dyna pam rydyn ni yma: i roi'r
wybodaeth a'r hyder angenrheidiol i
bobl fel y gallant ganfod eu ffordd
ymlaen – waeth pwy ydyn nhw a beth
yw eu problem.

We can all face problems that seem
complicated or intimidating.

At Citizens Advice Denbighshire we
believe no one should have to face
these problems without good quality,
independent advice.

That's why we're here: to give people
the knowledge and the confidence
they need to find their way forward –
whoever they are, and whatever their
problem.

