

Environmental *Change* Institute



# Cut the cost, not reallocate FPRN

29 November 2023

Brenda Boardman, Emeritus Fellow, ECI  
University of Oxford

Environmental Change Institute



Finding the fuel poor and  
framing better policy

August 2023



# Decision points today

- How much and how? Lump sum / energy bill, reflecting use
- Who gets? Income / energy consumption / social characteristics
- Who pays? Treasury / suppliers / other customers

# Basic problem

Unit cost of electricity and gas too high

Excessive energy company profits

Reduce the flow of money from us to them

Quickly, this winter

# How: into energy accounts

- Government supporting 8m households with Cost of Living via MTB
- Into bank account for food, rent, school uniforms, getting to work
- Virtually none used for energy in the home
  
- To reduce fuel poverty help through energy accounts
- Directly and automatically

# How: cash or unit rate?

- Energy supplier cannot give cash/lump sum to a legacy prepayment meter (half of all ppm)
- So fuel vouchers last winter for £400 EBSS payment
- Supplier can remotely alter the unit rate, all tariffs, including legacy ppm
- Easy for supplier to do in 5 weeks, with every new cap
- Our recommendation

# How much?

- EBSS put £400 onto electricity bills
  - Halved self-disconnection with smart ppm users
  - £400 is not sufficient, so £500 for electricity
- Matched by £500 for gas  $\approx$  £1000 in total
  
- Lowest cap in October 2020 was £1042
- From 5 Jan, cap will be £2023, approx. £1000 higher (@ same TDCV)
- Unit rates from October 2020 would halve energy bills

# Who is eligible?

Work from what the supplier knows:

- All on a prepayment meter 4.5m
- WHD recipients getting £150 3.0m
- Where electricity is the main metered fuel, but using < 4200kWh (Ofgem Ec 7 rate) 1.0m
- On PSR with medical condition 1.0m

Some double counting so about 8m households

# Our proposal – for all fuel poor

Supplier puts the fuel poor onto October 2020 cap prices:

- 3.5p/kWh for gas
- 12.5p/kWh for electricity

Halves the amount they should be paying: £1042 not £2023

Helps with fuel costs, directly through energy account

Aim for 8m households x £1000 = £8bn

Govt pay for: £8bn+ in the accounts for EPG and not needed, this FY



# In future

Fund through Green Power Pool

- electricity from renewables cheaper than electricity from fossil fuels
- sub-divide energy market: GPP (cheap, clean); ff (dirty, expensive)
- fuel poor sold GPP – they have cheaper electricity

Fuel poor homes insulated and given heat pumps

Then, each fuel poor household only using cheap electricity

Fuel poverty under control

**Paid for by renewable electricity suppliers  $\approx$  at cost / CFD**

Environmental *Change* Institute



Thank you

Brenda.Boardman@ouce.ox.ac.uk

