

# **Keeping the lights on: the case for a targeted discount energy tariff**

Ensuring energy is affordable for those of all ages who are struggling to pay their energy bills

## Questions to answer

What is a targeted discount energy deal?

Who would benefit?

Why target non-benefit recipients?

How much will it cost?

Why is progressive funding important?

Why a unit rate discount?

What progress has been made?

# What is a targeted discount energy deal?

(Social tariff)

# Principles of a targeted discount tariff

- A significant discount on bills for eligible households
- Target those in greatest need both on and off the benefits system
- Automatically enrol eligible households
- Be universal across suppliers
- Sit alongside existing consumer protections
- Support all eligible consumers (e.g. fixed tariffs, alternative fuels, non-domestic residential households)





**Who would benefit?**

# Our proposed eligibility criteria



- 1) Recipients of means tested benefits, disability benefits, or Carer's Allowance. **(eligibility criteria 1).**
- 2) + all those living in relative poverty (equivalised after-tax household income below 60% of median after-tax income). **(Eligibility criteria 2).**
- 3) + all those living just above the poverty line (equivalised after-tax household income below 70% of median after-tax income). **(Eligibility criteria 3).**

**Why target people not in receipt of benefits?**

Table 3: proportion of households in the UK not eligible for an energy social tariff by equivalised after-tax household income

<b>.Equivalised after-tax household income decile</b>	<b>Eligibility Criteria 1</b>	<b>Eligibility Criteria 2</b>	<b>Eligibility Criteria 3</b>
1 (lowest income)	46%	0%	0%
2	49%	1%	0%
3	59%	59%	19%
4	68%	68%	68%
5	78%	78%	78%
6	89%	89%	89%
7	90%	90%	90%
8	94%	94%	94%
9	96%	96%	96%
10 (highest income)	96%	96%	96%

**How much will it cost?**

## How much different discount levels cost (bills at £2,100)

50% = £10.8bn

30% = £6.5bn

10% = £2.2bn

# Why is progressive funding important?

## Why a progressive funding mechanism matters

Tariff discount	Annual cost to customers missing out (cap at £2,100, based on eligibility criteria 3).
50% discount	<b>£620</b>
30% discount	<b>£370</b>
10% discount	<b>£120</b>



**Why a unit rate discount?**

# Addressing the energy inefficiency penalty (unit rate discount)

**Figure 9: Typical annual energy bill (based on January 2023 prices) by the Environmental Performance Certificate (EPC) band of the home.**



Age UK analysis of Fuel Poverty Dataset 2019; DESNZ; Ofgem. Analysis accounts for the impact of the EPG and Warm Home Discount. The median value was used. Household sample sizes: A/B/C (5,684), D (5,058), E (906), F/G (326).

**What progress has been made?**

# Progress with the Government

- After concerted campaigning across the sector the Autumn Statement (2022) made reference to consulting on longer term targeted support, with social tariffs mentioned.
- In January 2023 95 non-profits called on the Government to introduce discounted energy bills for those struggling.
- Commitments were made by the Government that they would consult on the options over the summer.
- In September, after no consultation was launched, over 140 organisations, including some MPs, signed a further coalition letter calling for a consultation.
- Since then we have heard vague assertions that longer term options are still being reviewed, but with the General Election approaching we are concerned things have stalled.
- No mention of the social tariff in the 2023 Autumn Statement, or longer-term tariff reform.
- Next steps:
  - Joint working in the new year to keep the pressure on the Government to consult.
  - Spring Budget submissions making the case for a social tariff.
  - Manifesto asks and putting more focus on opposition parties.





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