

Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
The Treasury
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15th November 2023

Dear Chancellor,

Consumer Scotland is a Non-Ministerial Office, established by the Consumer Scotland Act 2020, and accountable to the Scottish Parliament. Our role is to advocate for consumers in Scotland and we have a specific purpose in relation to energy.

Ahead of next week's Autumn Statement, I am writing to highlight our evidence about energy affordability in Scotland, and to share Consumer Scotland's analysis of options for how the UK Government should address the challenges facing consumers this year.

Last year, unprecedented events in the wholesale markets pushed energy prices to record highs. With further significant increases projected in early 2023, it was clear that many people would not be able to heat and power their homes through the winter. UK Government intervention in the shape of the Energy Bill Support Scheme (the EBSS), and subsequently the Energy Price Guarantee (the EPG), combined to alleviate the most severe of those concerns, whilst the Alternative Fuel Payment provided some relief for those not connected to the gas grid.

Since then energy prices have fallen to some extent, but our evidence shows that they continue to impose substantial affordability challenges on many households. Our latest energy tracker – which surveyed 1,500 Scottish households during October – found that 30% of households are finding it difficult to keep up with their energy bills. More generally, after an extended period of rising prices across many goods and services, the financial resilience of consumers has been placed under very considerable strain. Almost a quarter of respondents (23%) reported borrowing money or missing rent payments to be able to pay energy bills, over the six months from April to October.

The tracker also highlights those that are more likely to report struggling with their energy costs. Disabled households, those on the lowest incomes, those without access to mains gas, and prepayment meter users, continue to be amongst the groups disproportionately affected.

There is a clear consumer need for additional targeted energy bill support this winter, and indeed in the future. There are a range of options available, including tariff reform. But we recognise, that with winter upon us, the options for delivering that support as a matter of urgency are limited.

As a means of targeting support, the Warm Home Discount (WHD) has a number of drawbacks from a Scottish perspective. Primarily, these relate to the way that the 190,000 'Broader Group' customers in Scotland have to apply to their supplier to access support, rather than it being paid automatically, as happens in England and Wales. Inconsistencies between energy suppliers in the eligibility criteria and application windows creates confusion and results in a degree of arbitrariness about who does, and doesn't, receive the WHD in Scotland.

A second potential mechanism is to extend the Energy Price Guarantee for prepayment meter customers ('the PPM-EPG'). This is now delivered as a discount to standing charges and in principle the PPM-EPG could be extended to provide a further bill discount for PPM customers. As the EPG is applied automatically on your energy bill there would be no need for individual customers to apply for the discount, and no ambiguity as to whether or not they will receive it. Further, while the PPM-EPG will not reach all customers experiencing affordability problems, our analysis suggests that around 25% to 30% of households in the lower half of the income distribution pay for their energy with a PPM, compared to fewer than ten percent of households in the top two quintiles of the income distribution.

A risk of delivering support through PPM-EPG is that it may incentivise some customers to switch to a PPM. However, this risk could be substantially mitigated by signalling that the policy will apply only for those householders that had a PPM at a certain date, or who were later involuntarily moved to a PPM by their supplier.

These limitations of both the WHD and PPM-EPG underline the need for a more comprehensive and better targeted approach to energy affordability in the longer term. But this winter targeting additional support payments through the mechanisms of the WHD or the PPM-EPG would provide relief to many of those consumers who will be struggling to afford their energy bills, and the latter is likely to be simpler to implement.

I hope that this information is helpful as you consider the content of your Autumn Statement.

Yours sincerely,



Sam Ghibaldan