Consumer Scotland

Luchd-Cleachdaidh Alba

# Energy Tracker: Insights from latest survey, Autumn 2023.

Briefing report

Nov 2023

# Executive Summary

Last week's announcement that the Energy Price Cap will increase in January 2024 to £1928, from £1834 currently, puts household energy bills back in the spotlight. The implication is that the typical household energy bill is on course to be around 60% higher in January than two years previously.

With the Chancellor Jeremy Hunt having resisted calls to announce further targeted energy bill support in his Autumn Statement last week, many households in Scotland will continue to face acute affordability challenges this winter. These come on the back of another year of price increases that have put continued strain on household budgets, and have contributed to a rise in energy debt.

This Briefing Note summarises the findings from our latest Energy Affordability Survey, our fifth regular survey in the past 18 months. It analyses the extent to which households face energy affordability challenges, how they are attempting to mitigate those challenges, and their broader effects. It focuses in particular on how energy affordability issues have evolved over the past year, comparing October 2022 with October 2023.

## Key findings

- **Household financial security has improved slightly over the past year but insecurity remains high**. 33% of households say that they are not managing well financially in autumn 2023, down from 39% twelve months previously.
- **Perceptions of energy affordability have improved but many households continue to face affordability challenges**. 30% of households say that they find it difficult to keep up with their energy bills. This is down from 35% this time last year, but implies that 750,000 households across Scotland are finding it difficult to keep up with their bills.
- **Some groups are particularly likely to face affordability challenges**. Disabled people, or those with long-term health conditions, are particularly at risk of energy affordability issues. Those with low income, or not connected to the gas grid, are also more likely to face affordability challenges.

- **Perceived bill affordability has improved somewhat less for vulnerable consumers than the population as a whole over the past 12 months**. Whilst for the population as a whole there has been a decrease in the proportion of households facing energy bill affordability challenges since this time last year, people in vulnerable households are less likely to have experienced an improvement in energy affordability. For households with a disability, with a child aged under 5, or who self-report as having some other form of vulnerability, there is no decline in the proportion who say that it is difficult or very difficult to keep up with their bills over the past year.

- **Consumers are slightly less likely to be cutting back on other spending to afford their energy bills now compared to last year**. Nonetheless, it remains the case that a large proportion of households are cutting back in order to afford energy bills. One third of households are cutting back on food shopping to afford their energy bills. Furthermore, eight per cent of households say that they are in energy debt or arrears in October 2023.

- **A particularly concerning impact of high energy prices is its impact on mental health and wellbeing**. In our Autumn 2023 survey, one third (34%) of respondents say that energy bills are negatively affecting their mental health either 'a lot' or 'a fair amount'. This has fallen from 39% in autumn 2022, but it remains concerning that energy bills have such a substantial impact on mental health.

- **Looking forward, fewer households are concerned about the affordability of energy this coming winter than was the case last autumn**. In autumn 2023, 16% of respondents said they won't be able to heat their home to a comfortable level due to financial concerns, down from 24% twelve months previously.

- **The conclusion therefore is that, whilst the crisis in the wholesale energy market is not so acute as it was 12 months ago, high energy bills continue to challenge many households**. With the price cap set to rise again in January – to £1,928 – these affordability challenges look set to worsen again rather than improve further in the short term.

- **Though the UK government did not make any provision for further energy bill affordability support in its Autumn Statement, the need to provide a targeted approach to energy bill support remains**. Beyond the immediacy of the current winter, the need to adopt an approach to energy tariffs that adequately meets sustainability and affordability objectives is crucial.

# 1. Introduction

1.1 This time last year, in October 2022, policymakers were responding to unprecedented events in the wholesale energy market. Ofgem's price cap reached £3,500 for a typical household, and was projected to increase further in January 2023.

1.2 In response, the UK Government put in place a number of mitigation measures. These included the Energy Price Guarantee (EPG), and the £400 discounts provided through the Energy Bill Support Scheme (EBSS). In combination these limited the typical annual energy bill to £2,100.  Additional cost of living payments targeted at pensioner households, and those on disability and means tested benefits, whilst not designed explicitly to mitigate energy cost pressures, also formed part of the wider support package. The Alternative Fuel Payment provided some relief to households not connected to the gas grid.

1.3 Despite these interventions, households faced an unprecedented situation of financial constraint. This was reflected in our Energy Affordability Survey undertaken in Autumn 2022. This showed that over one third of households in Scotland were finding it difficult to keep up with their energy bills, and 43% were unable to heat their home to a comfortable level because of financial concerns.

1.4 The downbeat perspective was reflected in many other indicators. The Household Finance index of the Scottish Government's Consumer Sentiment Indicator for example showed that consumer sentiment about household finances was lower in October 2022 than it had been at any point since the index was launched in 2013.

1.5 This briefing provides an updated position on household finances, and the affordability of energy bills in particular. It examines questions such as: to what extent are energy costs placing financial constraints and challenges on households in Scotland today? And how has the perceived affordability of energy evolved over the past 12 months?

1.6 In some ways, the situation facing households in October 2023 has improved compared to that faced in October 2022. Ofgem's price cap has fallen to £1,928 for a typical household – slightly below the £2,100 typical bill 12 months ago (Chart 1). And alongside these cash falls in typical bills, benefits were uprated in line with inflation in April this year, whilst average earnings growth is forecast to be 6.8% in 2023[1].

1.7 However, there also remain significant economic headwinds. Whilst most households should face lower energy bills than this time last year, increases to the standing charge mean that some households – typically those with relatively low energy use – will see higher bills this winter compared to last. The Resolution Foundation estimates that around one third of households in England will see higher bills this winter than last, and there is no reason to believe the figure in Scotland will be materially lower[2].

[1] OBR Economic and Fiscal Forecasts, November 2023

[2] Preparing the Pitch, Resolution Foundation, 6 November 2023 Preparing the pitch • Resolution Foundation

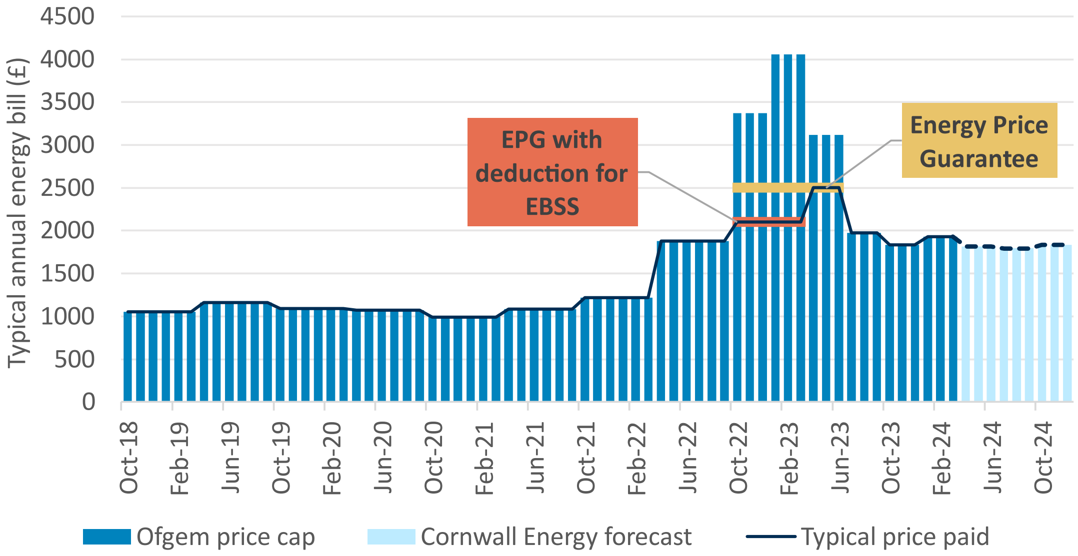
1.8 On top of this, household budgets have been squeezed throughout the last 12 months as a result of continued strong price growth. Annual food price inflation remained above 16% until July, and remains above 10% according to the latest CPI figures for October 2023. Private rents rose at 6.2% in Scotland in the year to October 2023 (compared to just 3.8% in the 12 months to October 2022), and increasing numbers of owner occupiers are rolling-off fixed rate deals onto much more expensive monthly mortgage payments. The squeeze on budgets is illustrated by households increasingly dipping into their savings, with bank and building society withdrawals £0.7million higher than deposits in September 2023, continuing a trend from August 2023.[3]

1.9 Moreover, the legacy of last winter means that an increasing number of households are now repaying energy debt in addition to their ongoing consumption. Ofgem has reported that energy debt in summer 2023 reached £2.6bn – its highest ever level[4].

1.10 Most significantly of all, energy prices remain substantially above their historic levels. The typical energy bill in October 2023 was 50% higher than in October 2021. Last week's announcement that the price cap will increase to £1,928 in January means that the typical price in the first quarter of 2024 will be 60% higher than it was in January 2022.

**Chart 1: The typical household energy bill, net of EPG and EBSS, is only marginally lower than 12 months ago**

Ofgem price cap for a typical household (net of EPG), and impact of EBSS




*Data Source: Ofgem and Cornwall Insight. The forecast estimates are based on current typical domestic consumption (dual fuel, direct debit).*

1.11 In this context, it is important to understand how perceptions of energy affordability have evolved during the past year.

[3] Money and Credit - September 2023 | Bank of England
[4] Ofgem explores options amid rising consumer debt | Ofgem

1.12 Consumer Scotland has been tracking people's perception of the affordability of energy bills regularly since Spring 2022[5]. The latest survey was undertaken in Autumn 2023, with fieldwork taking place between the 2nd – 18th October. This represents the fifth wave of our Energy Affordability Tracker (Table 1).

1.13 The Energy Affordability Tracker is administered as an online survey, delivered on our behalf by YouGov. Invitations to participate in the survey are emailed at random to participants in the Scottish element of YouGov's UK panel of adults until the survey quota and stratification target is reached. The responding sample is weighted to the profile of the sample definition to provide a representative reporting sample. Approximately 1,600 individuals have been interviewed at each wave.

**Table 1: Dates and sample sizes of Consumer Scotland's Energy Affordability Survey**

| Wave | Fieldwork date | Sample |
|---|---|---|
| 1: Spring 2022 | 25 – 31 March 2022 | 2,012 |
| 2. Autumn 2022 | 27 Sep – 10 Oct 2022 | 1,586 |
| 3. Winter 2022 | 28 Nov – 13 Dec 2022 | 1,621 |
| 4. Spring 2023 | 2 – 23 March 2023 | 1,579 |
| 5. Autumn 2023 | 2 – 18 October 2023 | 1,589 |

[55] The Spring 2022 Energy Affordability Tracker was commissioned by the Energy Consumers Commission, a predecessor body to Consumer Scotland

# 2. Key Findings

## Current financial circumstances and energy affordability

### Slightly fewer households are struggling financially now compared to last autumn

2.1 Our survey starts by asking households some questions about how they are managing financially.

2.2 There has been a small but steady decrease in the proportion of households who are struggling financially over the past 12 months (Chart 2).

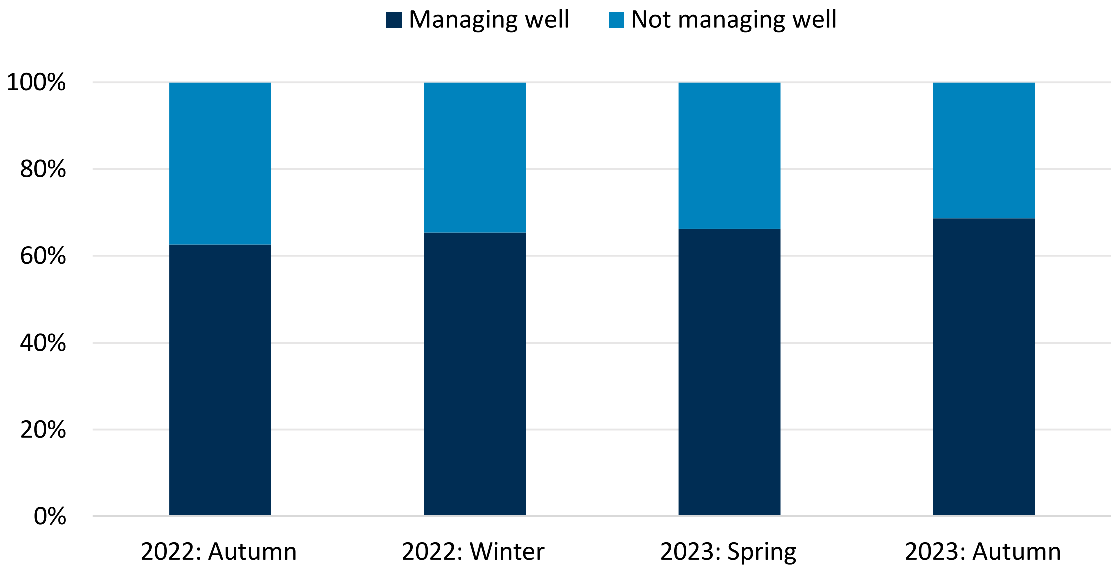
2.3 In Autumn 2022, 61% of households were managing well financially. This represented a small decrease in the proportion of households who were managing well financially compared to 2020 and 2021 (64% in both years), as reported in the Scottish Household Survey.

2.4 By Autumn 2023, 67% of households say they are managing well financially, an increase of six percentage points on the previous autumn.

2.5 So whilst 12 months ago, fewer households were managing well financially compared to 2020 and 2021, by October 2023 a slightly larger proportion of households said they are managing well financially compared to 2020 and 2021.

**Chart 2: One third of households are not managing well financially, an improvement on this time last year**

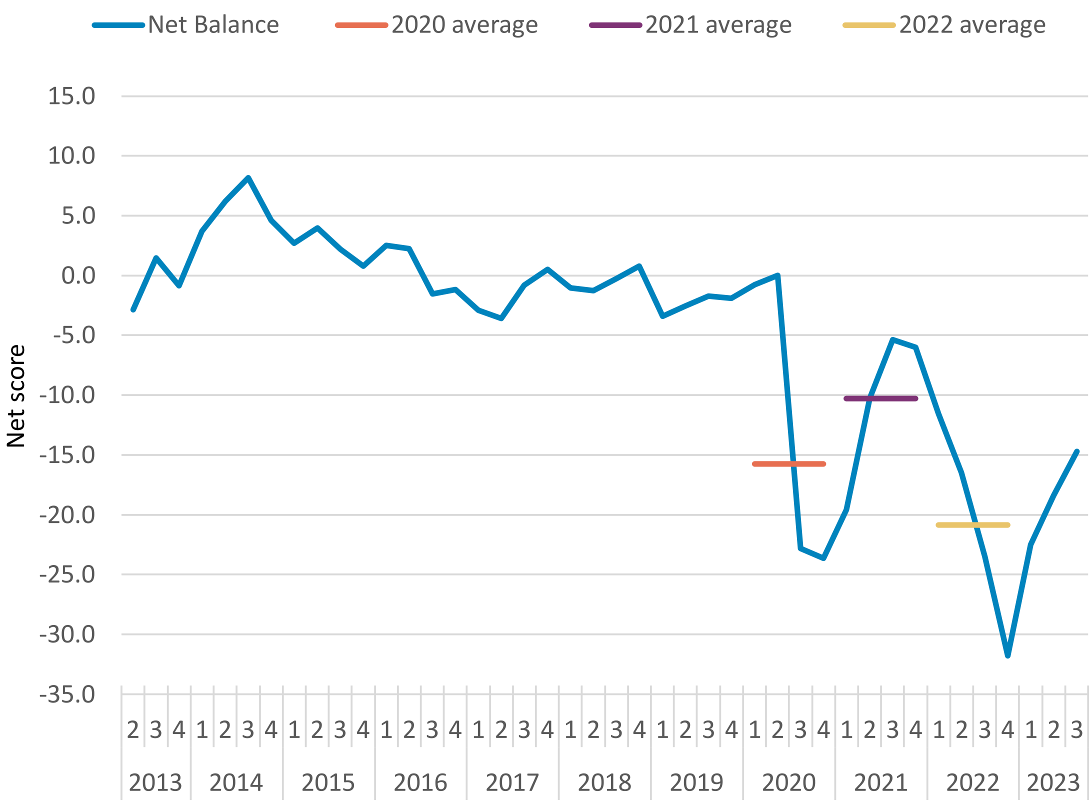
Households' perception of how they are managing financially these days




2.6 The finding that households' financial wellbeing has improved somewhat over the past 12 months, to levels broadly similar with 2020 and 2021, is consistent with findings from the Scottish Government's latest Consumer Sentiment Index. This shows that consumers' sentiment about their current financial position improved from a historic low of -36 in October 2022 to -12 by September 2023. But that index also shows that, in a longer term context, consumer sentiment in relation to current financial circumstances remains very weak (Chart 3).

**Chart 3: Consumer sentiment about household finances has improved significantly since a year ago, but remains well below its longer run average**

Net balance score on the Household Finance index of the Scottish Government's Consumer Sentiment Indicator




*Source: Scottish Government Quarterly Consumer Sentiment Indicator. Notes: chart shows the 'net balance' score for the Current Household Finance indicator. This asks households whether their household finances have got better, worse, or stayed the same, over the past 12 months. A negative net score implies that more people think their finances have worsened than improved.*

## Perceptions of energy affordability have improved; but many households continue to face affordability challenges

2.7 Compared to a year ago, households are more likely to say they find it easy to keep up with their energy bills, and less likely to say they find it difficult to keep up with bills (Chart 4).

2.8 In fact, the increase in the proportion of households who find it easy to keep up with their bills has been quite significant - nine percentage points, from 25% to 34% of households. There has been a corresponding five percentage point decrease in the proportion of households who find it difficult to keep up with bills, and a four percentage point decrease in the proportion of households who find it neither easy nor difficult to keep up.

2.9 The improvement in perceived energy affordability is probably intuitive. Despite the cessation of the EBSS, most households' energy bills are lower in cash terms than they were this time last year. In the context of household income growth of around 6.8% in 2023, some improvement in affordability was to be expected.

2.10 At the same time however, the scale of the improvement in perceived affordability might seem surprising. After all, household incomes have continued to be squeezed by rising prices of essential goods and services throughout the year. Food prices for example rose over 10% in the year to October 2023.

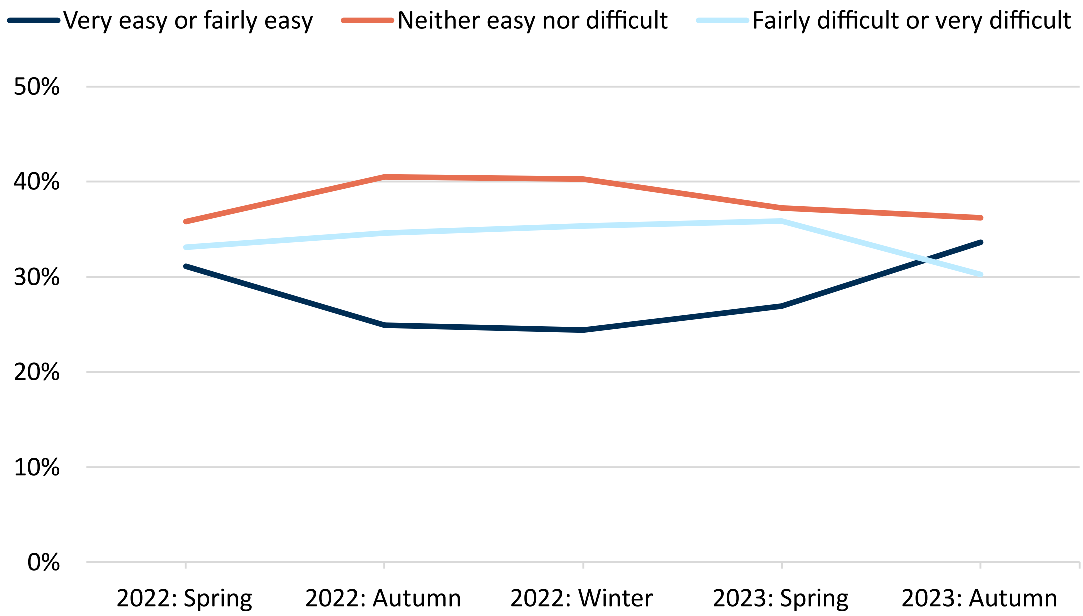
2.11 It might be the case that some of the improvement in perceived affordability reflects the lower prevalence of the issue of energy prices in the media. The substantially lower wholesale energy prices, and much reduced levels of overall government support, have certainly reduced the coverage and salience of the issue.

2.12 It is also likely that households have in a sense 'adapted' to continued higher prices through making cutbacks elsewhere or reconfiguring their expectations of what is normal.

2.13 But whilst energy affordability has undoubtedly improved since last winter, it is important to bear in mind that a large proportion of households continue to struggle with bills. Almost 24% of households find it fairly difficult to keep up with their bills, and an additional 6% of all households find it very difficult. That means almost one in three households find it difficult or very difficult to keep up with bills.

**Chart 4: Households are less likely to be struggling with their bills compared to this time last year**

Proportion of households finding it easy or difficult to keep up with their energy bills




## Those with a disability or health problem are most likely to be struggling to keep up with their energy bills

2.14 Whilst 30% of all households report finding it difficult to keep up with energy bills, some groups are consistently more likely to be struggling with their bills.

- As shown in Chart 5, the young (aged under 24) and pensioner households are substantially less likely to report energy affordability issues than other age groups. This may be for slightly different reasons. The young may be more likely to be living with their parents or in accommodation where energy is implicitly included in overall rents. Pensioner households receive additional support for energy bills, in the form of Winter Fuel Payments and, at the moment, top-ups to these payments.

- People living in rural areas are slightly more likely to face affordability challenges than people in urban areas. This finding largely relates to 'off-grid' energy consumers. Households that use heating oil or electricity as their main energy source for heating their home are more likely to find it difficult to keep up with their bills (36% and 37% respectively).

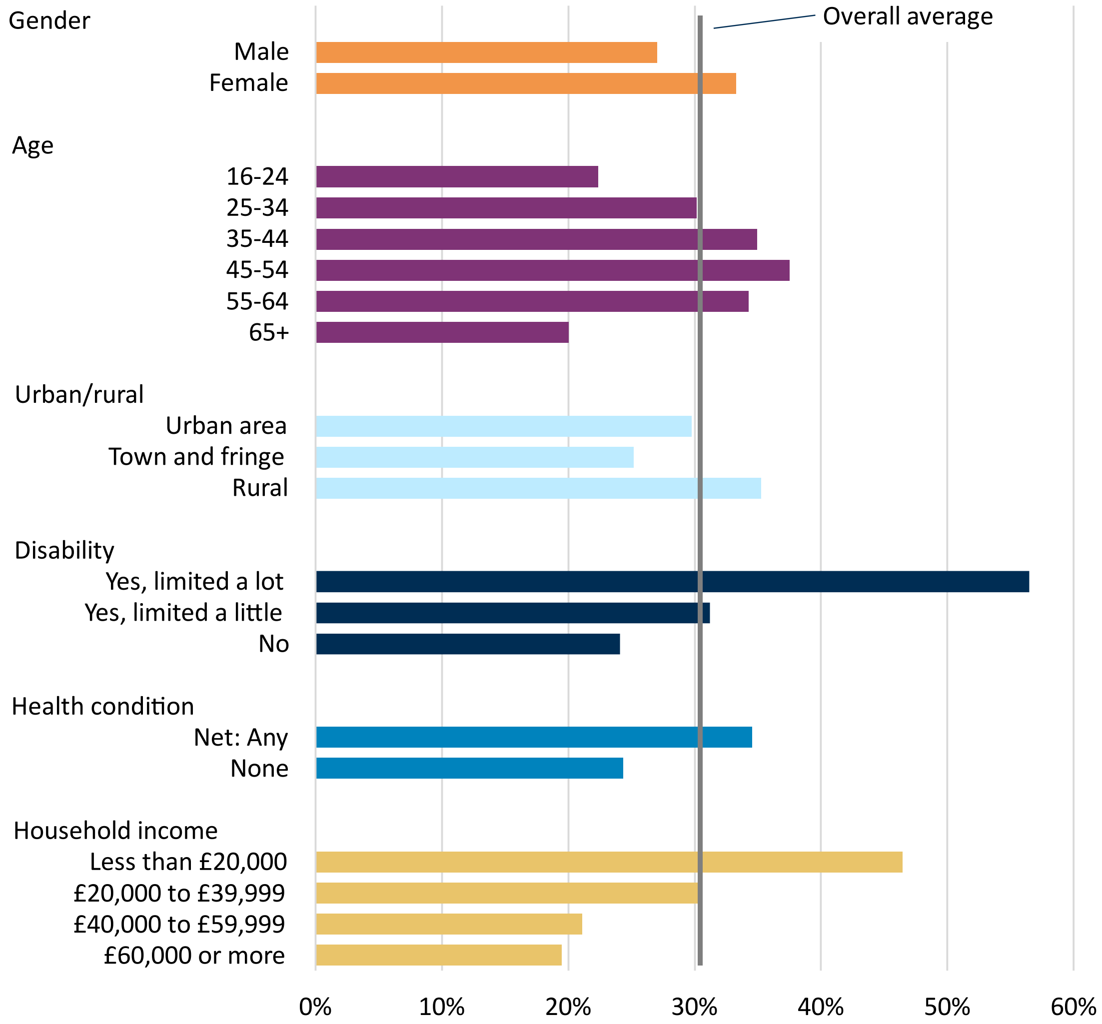
- Disabled people who are limited a lot by their disability are substantially more likely to report energy affordability issues (56%) than those without a disability (24%).

- Those with a health condition are somewhat more likely to report struggling with their energy bills (35%).

- Unsurprisingly, household income is an important determinant of the extent to which a household can keep up with its energy bills. Almost half of those with an income below £20,000 find it difficult to keep up with their bills, compared to fewer than one in five amongst those with an income above £60,000.

2.15 In addition to the factors shown in Chart 5, other sub-groups are also particularly prone to facing challenges in keeping up with their bills. For example, of customers that use a prepayment meter 50% report that they find it difficult or very difficult to keep up with their bills. And 43% of households with a child under five find it difficult to keep up with their bills.

**Chart 5: Energy affordability varies substantially by characteristic**
Proportion of households reporting that it is difficult or very difficult to keep up with their energy bills




2.16 The analysis of the characteristics that are most associated with affordability challenges has thus far considered individual characteristics in isolation. The limitation of this type of analysis is that it doesn't give a sense of which factors really matter. In other words, which are actually significant when several factors are considered simultaneously?

2.17 For example, the analysis above suggested that rural households are more likely to report difficulties in keeping up with their bills. But to what extent does this reflect the fact that rural households have lower incomes on average, to what extent does it reflect the fact that rural households are more likely to be 'off-grid' households with pricier bills, and to what extent does it reflect other factors?

2.18 To shed light on these questions, we modelled the probability of a household finding it difficult or very difficult to keep up with its energy bills in autumn 2023 as a function of various explanatory variables.

2.19 The results are summarised in Chart 6. They indicate that:

- Being a low-income household is strongly associated with a greater likelihood of facing energy affordability challenges. A household with income below £20,000 per year is 18 percentage points more likely to find it difficult to keep up with their bills, compared to a household earning over £60,000.

- Whilst women are more likely than men to report affordability challenges, these differences are not statistically significant once other factors are controlled for.

- In itself, being a rural household is not associated with greater likelihood of facing affordability challenges compared to a non-rural household, and being an off-grid household in a non-rural area is not associated with greater risk of affordability challenges. But off-grid households specifically in rural areas do face a higher probability (an additional 12.8%) of facing affordability challenges, even after controlling for other factors.

- Those aged 65+ are significantly less likely (eleven percentage points) to be finding it difficult to keep up with their bills compared to working age households.

- Households with a child under five are significantly more likely to be facing affordability challenges compared to those without a child under five.

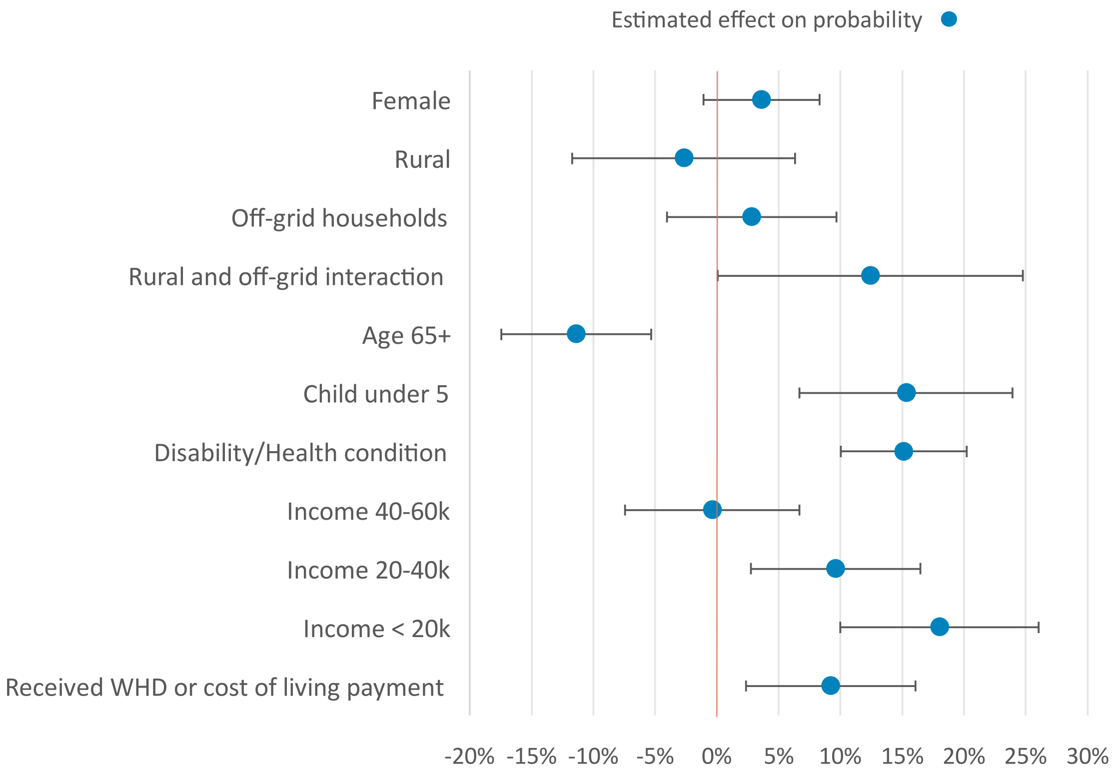
- Households with a disability or illness remain 15 percentage points more likely to face difficulties in affording their energy bills than households without a disability, even after controlling for age and income.

- Households in receipt of means tested benefits and/or the Warm Home Discount, are nine percentage points more likely to be struggling with their energy bills. This indicates that these forms of support do not remotely offset the impact of low income on energy affordability.

2.20 Unfortunately we can’t fully control for all the factors that might influence perceptions of energy affordability. But this partial analysis is nonetheless useful in shedding further light on the characteristics that really matter.

**Chart 6: Household income, disability, age, and being off-grid, are all factors that are associated with perceived energy affordability**

Results of probit regression of probability of reporting finding it difficult to keep up with bills on selection of explanatory variables




## Groups in vulnerable circumstances are less likely to report that the affordability of their energy bills has improved since last year

2.21 We've already noted that, for the population as a whole, the proportion of households who say that they find it difficult to keep up with their bills is somewhat lower in Autumn this year, compared to the same time 12 months ago (from 35% to 30%).

2.22 However, for consumers in vulnerable circumstances, there is limited evidence of a corresponding decrease. Households with a disability, with a child aged under 5, or who self-report as having some other form of vulnerability, have seen no decline in the proportion who say that it is difficult or very difficult to keep up with their bills over the past year.

2.23 There is no clear association between household income generally and the improvement in perceived affordability of energy bills. The improvement in affordability is seen fairly consistently across the income distribution.

2.24 We also asked households, in autumn 2023, whether they were finding it more or less difficult to afford their energy bills now compared to 12 months previously. Across the population as a whole, 43% say they are finding it more difficult now. But this proportion is higher for those with a disability (55%), who have low income (55%), have a child under 5 (53%).

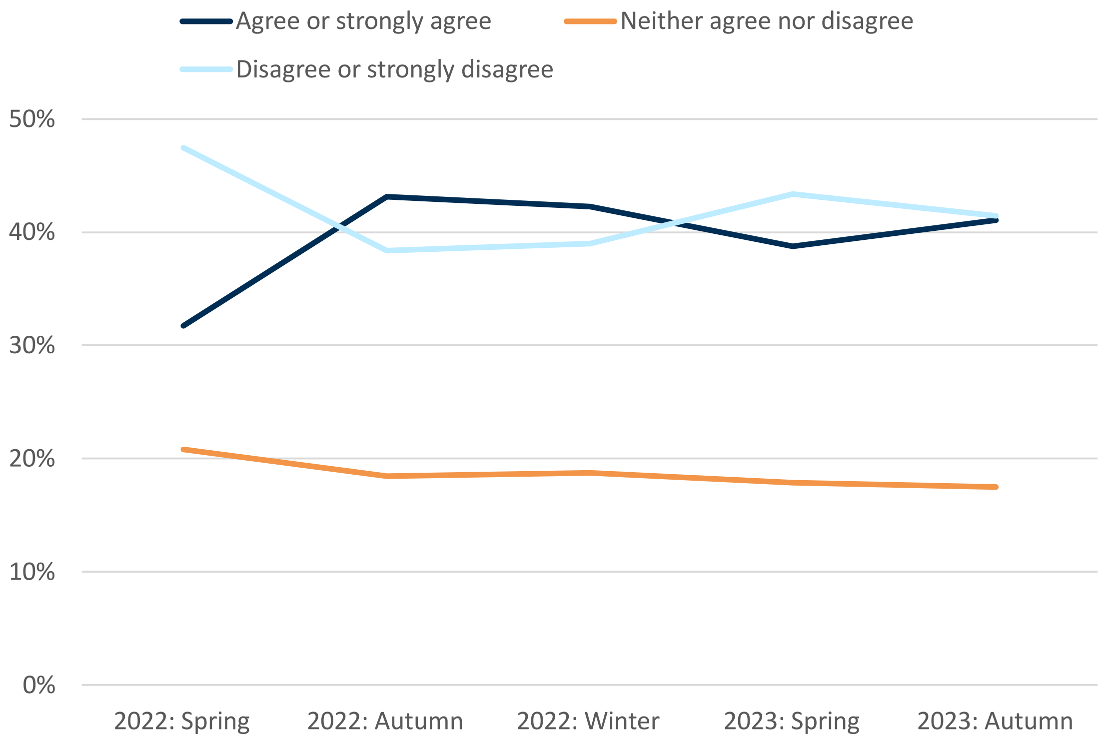
2.25 Taken together, this is suggestive that perceived bill affordability has improved somewhat less for vulnerable consumers than others over the past 12 months.

## The percentage of households that are unable to heat their home to a comfortable level remains elevated

2.26 A large proportion of households continue to report being unable to heat their home to a comfortable level because of financial concerns. The proportion of households that cannot heat their home to a comfortable level due to financial concerns matches exactly the proportion who can (Chart 7).

**Chart 7: The proportion of households that cannot heat their home to a comfortable level remains as high as last winter**

Responses to the statement 'We can't afford to heat our home to a comfortable level because of financial concerns'



# Responses to high energy bills

## Households are slightly less likely to be cutting back on other spending to afford their energy bills than was the case last winter

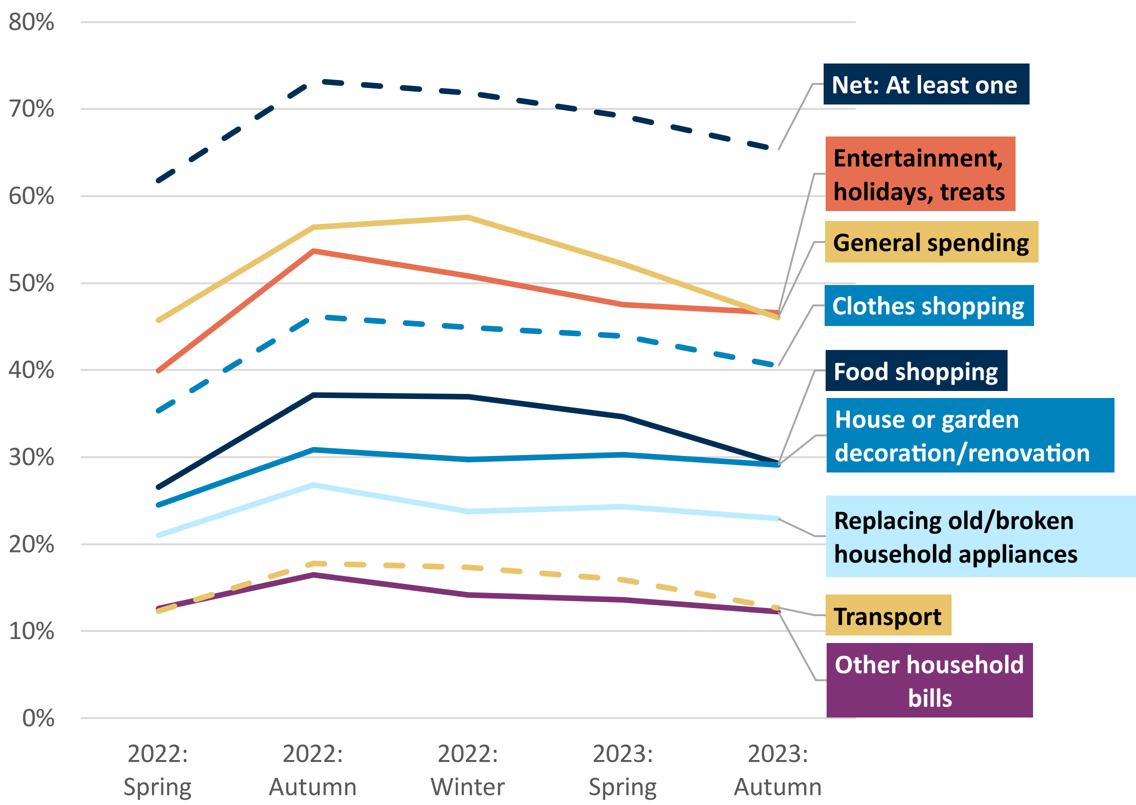
2.27 Consistent with earlier findings of a slight improvement in financial well-being and energy affordability, our latest survey finds that consumers are slightly less likely to be cutting back on other spending to afford their energy bills now compared to last year (Chart 8). Nonetheless, it remains the case that a large proportion of households are cutting back in order to afford energy bills.

2.28 For all categories, the proportion of households who are cutting back has fallen since last Autumn, and is now close to the position in Spring 2022, when our surveys commenced.

2.29 But despite evidence of an improving situation over the past 12 months, the fact that one third of consumers feel the need to cut back on food shopping to afford their energy bills is a striking statistic. The proportion reporting cutting back on other categories is even higher, with 46% reporting reduced expenditure on general spending and 47% on entertainment and leisure.

**Chart 8: Households are less likely to be cutting back on spending to afford their energy bills compared to last Autumn**

Proportion of households cutting back on various categories of spending in order to be able to afford energy bills



## Energy bills continue to have a negative impact on mental health for many

2.30 The previous section considered ways that energy consumers have responded to changes in prices. But what broader impacts do high prices have?

2.31 One impact of high energy prices is that some consumers need to borrow money or go into debt in order to keep up with payments.

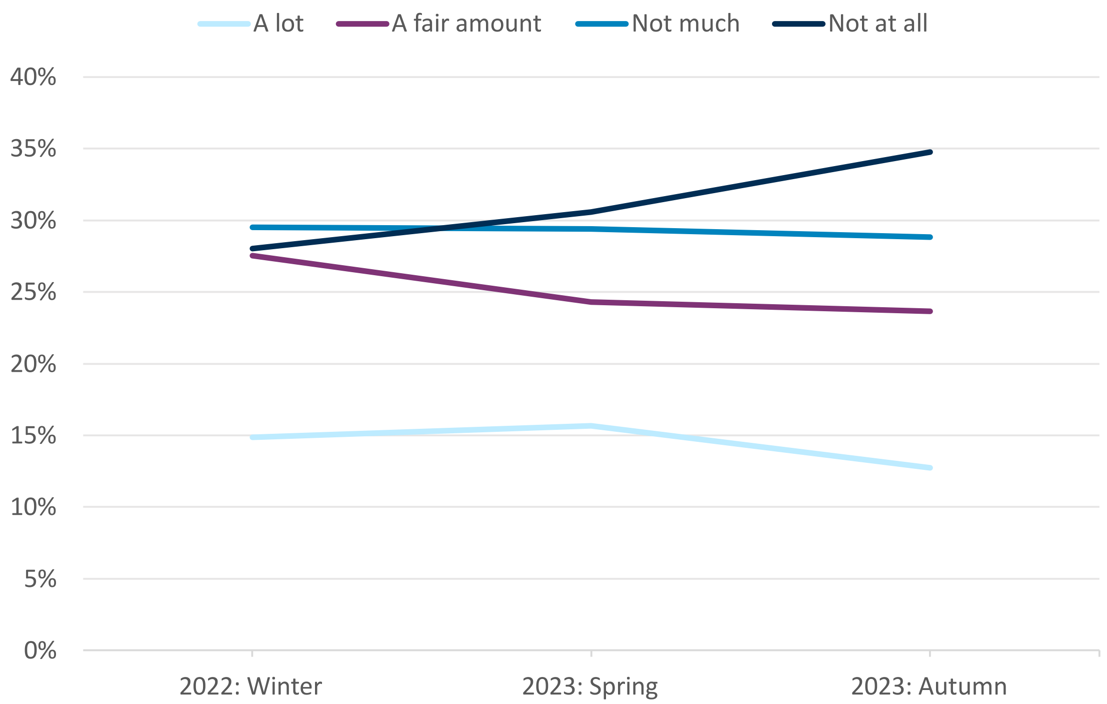
2.32 Our latest survey shows that almost one fifth (18.9%) of households have borrowed money or missed rent or mortgage payments in the last six months as a result of the high cost of energy. Specifically, in response to the cost of energy, 12% of respondents said they had borrowed money from friends or family, 8% had borrowed money from a bank, and 3.5% had missed rent or mortgage payments. A further 8% of respondents said that they were in energy debt or arrears.

2.33 A particularly concerning impact of high energy prices is its impact on mental health and wellbeing. In our Autumn 2023 survey, one third (34%) of respondents say that energy bills are affecting their mental health either ‘a lot’ or ‘a fair amount’.

2.34 The only positive news to take is that this proportion has fallen somewhat over time (Chart 9). 39% of respondents said that energy prices affected their mental health a lot or a fair amount in Winter 2022. This fell to 37% in our Spring 2023 survey before falling to 34% in the latest survey. So the direction of travel is positive, but it remains concerning that energy bills have such a substantial impact on mental health.

**Chart 9: Fewer households say that their mental health is being negatively impacted by energy bills than was the case 12 months ago**

Responses to question ‘To what extent, if at all, is your mental health being negatively impacted by keeping up with your energy bills?



# Looking to this winter

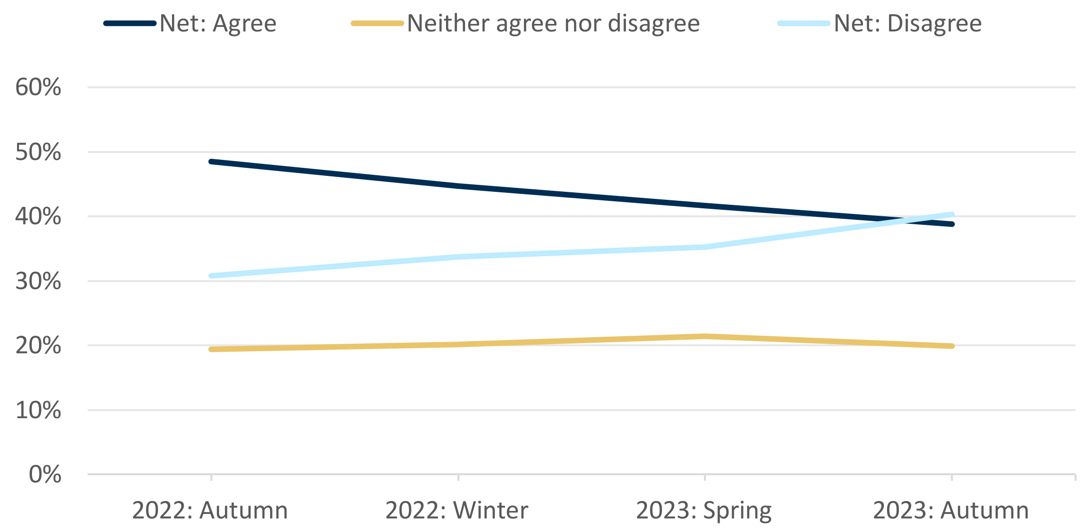
## Looking forward, fewer households are concerned about the affordability of energy this coming winter than was the case last autumn

2.35 Our survey also asks consumers to look forward to the approaching winter time and energy costs. As would be expected given the other findings, sentiment is generally much stronger than it was this time last year.

2.36 Households are asked to what extent they agree with the statement ‘I/we won't be able to afford to heat my/our home to a comfortable level because of financial concerns’. Last Autumn, 24% of households strongly agreed with this statement, but this has fallen to 16% in Autumn this year. There was a corresponding increase in the proportion of households who strongly disagreed with this statement (Chart 10).

**Chart 10: Fewer households think they will face energy affordability issues this coming winter than was the case last autumn**

Proportion of respondents agreeing with statement ‘ I/we won't be able to afford to heat my/our home to a comfortable level because of financial concerns’




2.37 Across the whole sample, 39% of respondents agreed with the statement that they wouldn’t be able to heat their home to a comfortable level this winter. Unsurprisingly there was variation in concern across subgroups.

- Females are more likely to agree with the statement than males (45% v. 32%).
- Disabled people are more likely to agree with the statement (51%)
- Households who heat their home with oil are slightly less likely to agree with the statement (35%). Note that, whilst heating oil consumers are slightly more likely to report finding it difficult to keep up with their energy bills, they are slightly less likely to say that they will not be able to heat their home to a comfortable level this winter.

- Pensioner households (more specifically those aged 65 or over) are relatively less likely to agree with the statement (28%). In comparison, the age group most likely to agree with the statement was those aged 45-54 (46%).

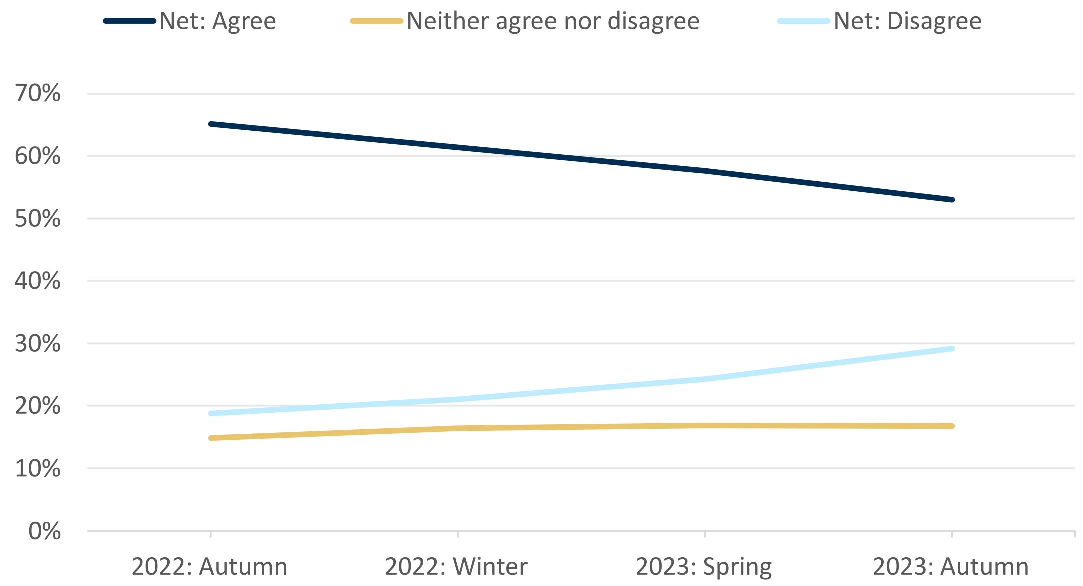
2.38 Our survey also asks respondents to what extent they agree with the statement 'My/our household will have to ration my/our energy use because of financial concerns (e.g. reducing heating, or avoiding using appliances)'.

2.39 There was a similar improvement in sentiment on this indicator, with the proportion of households who agreed or strongly agreed with this statement decreasing by eleven percentage points (Chart 11).

2.40 Overall, this points to two key conclusions about households' perceptions of the coming winter. First, there is generally more optimism about the coming winter than there was in relation to last winter. Second, there nonetheless remains significant concern about the financial implications of energy bills in the coming months.

**Chart 11: Fewer households are anticipating rationing their energy this winter, when compared to this time last year**

Proportion of respondents agreeing with statement 'My/our household will have to ration my/our energy use because of financial concerns'



# 3. Conclusions

3.1 Whilst the impact of the energy crisis on households is slightly less acute than it was 12 months ago, household energy bills do remain substantially elevated compared to two years ago.

3.2 For most households, bills are typically somewhat lower now than they were last autumn. But for some households, particularly those with relatively lower levels of energy use, bills may actually be higher this autumn compared to this time last year.

3.3 Results from our latest Energy Affordability Tracker are consistent with this broad picture. Across a broad spectrum of metrics, the indications are that affordability of energy bills has improved at the margins. Respondents are more likely to say that they can keep up with their energy bills this year compared to 12 months ago.

3.4 Households this autumn are slightly less likely to be cutting back on other spending to afford their energy bills. And they are slightly less likely to report that their mental health is affected by energy bills.

3.5 These developments are positive, a sign that things are moving in the right direction.

3.6 But it is clear that energy affordability challenges remain entrenched and widespread. 30% of households say that they find it difficult to keep up with their energy bills. This is down from 35% this time last year. But it implies that 750,000 households across Scotland are finding it difficult to keep up with their bills.

3.7 Other metrics are also concerning. 40% of respondents say that they cannot heat their home to a comfortable level because of financial concerns. One third say that their mental health is impacted by concerns over energy bills. One quarter of respondents have borrowed money or missed rent or mortgage payments to keep up with their energy bills.

3.8 Some groups are particularly likely to face affordability challenges. Disabled people, or those with long-term health conditions, are particularly at risk of energy affordability issues.

3.9 The conclusion therefore is that, whilst the energy crisis is not quite so acute as it was 12 months ago, high energy bills continue to challenge many households.

3.10 This is broadly consistent with the picture seen in the latest wave of Ofgem's Consumer Impacts of Market Conditions Survey undertaken in July 2023.[6] Like our findings, this research showed that the proportion experiencing no recent energy affordability impacts improved during the previous 12 months (34% compared to 31% in July 2022). It also found that significant numbers are still experiencing issues with 28% of respondents reducing energy usage to afford bills, and an additional 37% reporting other affordability impacts instead of or alongside reducing energy usage, which again is consistent with our conclusions.

[6] Consumer impacts of market conditions survey - wave 4 (July 2023) | Ofgem

3.11 With the price cap set to rise again in January – to £1,928 – these affordability challenges look set to worsen again rather than improve further in the short term. Coming on the back of a year of high inflation – which has had a disproportionate impact on lower income households given the particularly high rate of price inflation in energy and food – the resilience of low income households and those in vulnerable circumstances to be able to manage this high (in historic terms) level of energy bill is likely to be significantly weakened.

3.12 In this context, though the UK Government did not make any provision for further energy bill affordability support in its Autumn Statement, the need to provide a targeted approach to energy bill support remains. A previous Consumer Scotland briefing[7] looked at the options for that, including use of the PPM EPG.

3.13 This notwithstanding, limitations in the operation of existing energy affordability measures – in particularly the Warm Home Discount - strongly reiterate the need for a more comprehensive and better targeted approach to energy affordability in the longer term.

3.14 The future design of energy tariffs and support must better address sustainability and affordability challenges. This is the challenge to which policymakers must now respond.

[7] Delivering household energy bill support this winter – options for the Chancellor at the Autumn Statement | Consumer Scotland