

Winter warning

The urgent case for energy
bill support this winter



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Summary

As we head into winter 2023, energy prices are now falling and it may be tempting to declare the energy affordability crisis over. But that would be a big mistake. **Our data suggests that millions are facing a winter as bad, or even worse, than last winter.**

The current price cap remains 60% higher than in winter 2021,¹ and once we take into account the removal of direct Government support for energy bills, **the amount the average household actually pays for their energy this winter will be roughly the same, or even more than they did last winter.**

Many households simply cannot afford to pay energy bills at this level. In the first 6 months of 2023, 7.8 million people have had to borrow money to cover their energy bills and 1.2 million children live in households which have had to go without heating, hot water and electricity.² If the Government doesn't step in, we expect to see these numbers rise this winter.

So far 2023 has been the busiest year ever for Citizens Advice. The number of people we have seen with energy debt, and the amount of money they owe, is at record levels and rising. At £1,711, average energy debts for our debt clients are nearly a third higher than in 2019.

And we are now another year into the cost of living crisis. People have already cut back their household spending to the bare minimum, while the cost of other essentials has risen sharply due to rapid inflation. As a result, **a growing number of people are living on empty. Over 50% of people Citizens Advice help with debt advice are now in negative budgets**, meaning they have more essential spending going out than they have income coming in. These households have nothing left to cut.

The next 6 months could tip many households over the edge and the trends in our data predict another winter of unwelcome records - we've already helped nearly twice as many people who couldn't afford to top up their prepayment meter as we had by this point in 2022.³ The Fuel Bank Foundation

¹ Ofgem (2023) [Default Tariff Cap](#) Breakdown of the default tariff price cap (for a dual-fuel, direct debit customer with typical consumption).

² Based on analysis of an online poll conducted by Walnut Unlimited for Citizens Advice.

³ Between the start of January and the end of June 2022 we saw 10,334 different people who were unable to top up their prepayment meters. The equivalent figure for January to June 2023 was 20,154.

estimates that it will support half a million people by the end of 2023 with emergency vouchers to top up their prepayment meters, up from 291,000 in 2022.⁴

In this context, it is very worrying that the Government has not yet put adequate support in place to ensure that households can safely heat and power their homes through the winter. **The Government must not stand by while disaster unfolds.**

At a time of constrained public finances, support should be targeted at those who need help the most. However, the Government may need to consider a broader based package of support if targeted help is not meeting the scale of need as winter bites.

One way to deliver targeted support would be to expand the Warm Home Discount (WHD), which currently provides a discount of £150 on the electricity bills of eligible households. Additional support could either be provided through a one off increase in the existing WHD payment, or by using the data matching and payment model through which WHD is delivered to provide a targeted version of last winter's Energy Price Guarantee to the households who need it most.

Not all low income households in need of support are eligible for the WHD, so the Government should also look at ways to expand eligibility of the WHD or other means of getting support to these households. The additional costs of expanding the scheme should be covered by the Treasury, not struggling bill payers.

It didn't have to be this way. Earlier this year Citizens Advice called on the Government to move quickly towards implementing a new, enduring system of energy support, effectively targeted at those who need it the most - often referred to as a social tariff.⁵ So far, despite warm words, little progress has been made and time has now run out to get long term support in place ahead of winter, leaving low income households living on empty.

This must be the year that we end this cycle. Alongside a new package of support for energy bills this winter, the Government should also move ahead with introducing a new social tariff before winter 2024-25.

⁴ Unpublished 2023 projection provided to Citizens Advice by the Fuel Bank Foundation. 2022 total: 290,908.

⁵ Citizens Advice, Social Market Foundation and Public First (2023) [Fairer, warmer, cheaper: new energy bill support policies to support British households in an age of high prices](#)

Despite unprecedented support, record numbers sought Citizens Advice's help with energy bills last winter

Last winter the Government put in place a highly significant package of support to help households manage the huge spike in the cost of energy bills and broader cost of living pressures.

The Energy Bill Support Scheme (EBSS) and Energy Price Guarantee (EPG) provided support to *all* households in Great Britain, with similar schemes operating in Northern Ireland. This universal support was supplemented by Cost of Living payments paid to people in receipt of some means tested benefits.

This support was crucial, and for some households will have made the difference in enabling them to keep their homes warm, their families fed and their bills paid through the winter.

However, it was not enough to prevent many low income households from falling over the financial cliff edge, driving record numbers of people to Citizens Advice for support.

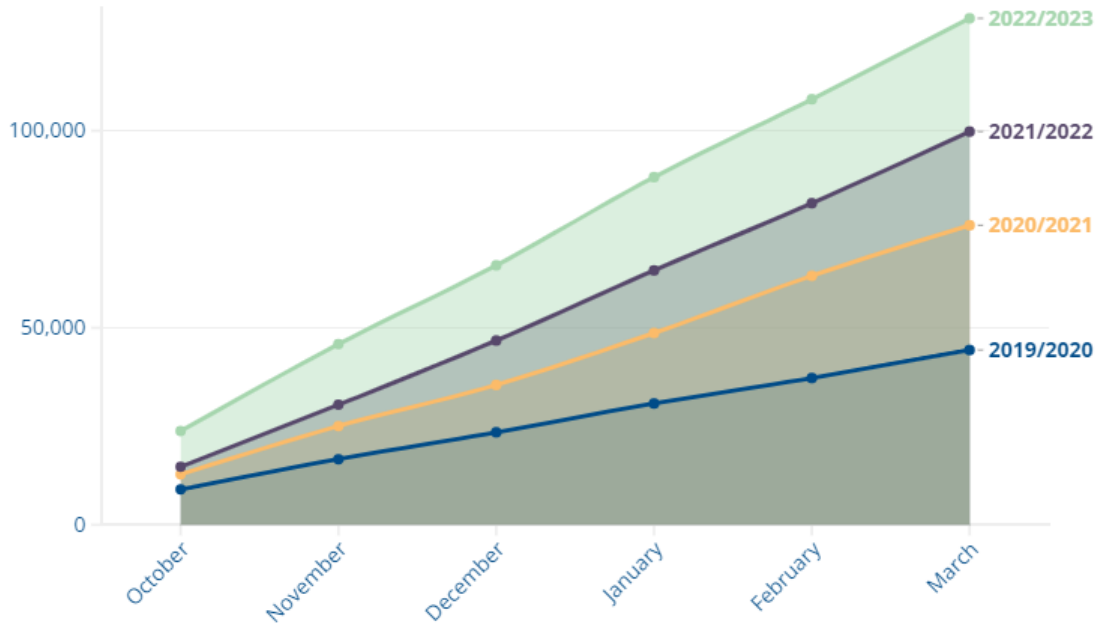
- Between October 2022 and March 2023, we helped nearly 45,000 people with emergency fuel vouchers to top up their prepayment meter.
- We also helped nearly 129,000 people with crisis support including food bank referrals and emergency charitable support.⁶ This was nearly three times the figure in winter 2019-20, and more people than we helped in the winters between 2017 and 2020 combined.
- Our 'grants to help you pay your energy bills' web pages were accessed over 530,000 times between October 2022 and March 2023.⁷ This is higher

⁶ Figures for crisis support represent the number of people Citizens Advice helps with either referrals to food banks or other charitable support (covering any emergency financial support or support in kind).

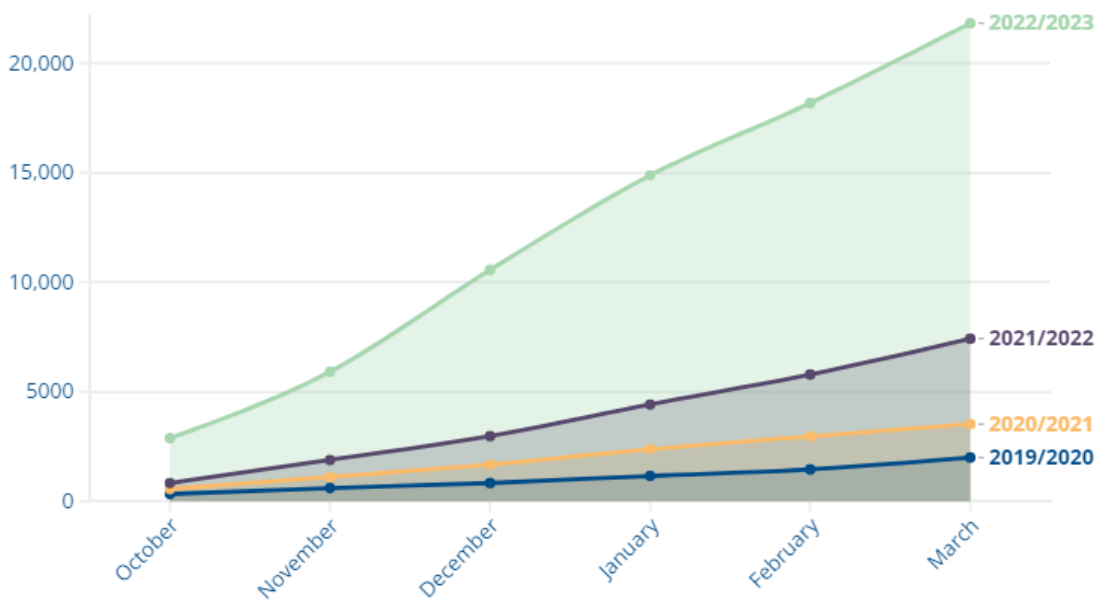
⁷ Citizens Advice (2023) [Key cost of living webpages](#). Among our key cost of living webpages, those that focus on grants and benefits to help you pay your energy bills were accessed a total of 532,900 times between 1 October 2022 and 31 March 2023.

than all the visits in the previous three winters combined and nine times the number of visits in winter 2019-20.

Cumulative number of people we've helped with crisis support over the last four winters



Cumulative number of people we saw who were unable to top up their prepayment meters over the last four winters



Nationally representative polling carried out on behalf of Citizens Advice reveals the scale of the financial strain households across the country are under. 1 in 4 people report that they are unable to cover their essential costs in at least some

months. Almost 1 in 10 (8.7%) are rarely or never able to cover the cost of essentials.

Such intense and prolonged financial pressure can take a real toll - 2 in 3 (66%) of the people who are sometimes or often unable to cover the cost of essentials say that this has had a negative impact on their mental health. As the case studies below illustrate, the lack of a support package in place to help people with their bills this winter is further fuelling the stress and anxiety low income households are facing.

Dette cannot work due to several mental and physical health conditions. She pays for her energy using a prepayment meter because she worries about getting into energy debt. Last winter, she was frequently self-disconnecting because she didn't have enough money to top up her meter. On one occasion she was left without gas for three days. Having a warm home is essential for her physical and mental health. However, to reduce energy costs Dette avoided heating her home and resorted to spending time in community spaces to keep warm.

The Cost of Living payments helped Dette purchase food and pay the outstanding debt on her essential bills. The Energy Bill Support Scheme (EBSS) helped her pay her energy costs. But with the EBSS having ended, Dette anticipates this winter being very challenging. She describes her situation as walking on a tightrope.

"I never know which way I'm going"

She knows her benefit payments will not match the cost of living. Despite adopting methods to reduce costs as she did last year, she knows she will struggle to keep warm this winter.

Lucy⁸ lives with her husband and three young children. They pay for their energy using a prepayment meter to avoid debt. Last winter, Lucy couldn't

⁸ Case study based on research conducted on behalf of Citizens Advice by [Blue Marble Research](#) tracking the experiences of energy consumers. The research has been running since November 2021; it includes in-depth interviews with each household, alongside other check-ins and income and expenditure tasks. Names have been anonymised.

often afford to top up her meter. The family were left without hot water and heating, which was especially challenging for her children. The Energy Bill Support Scheme meant Lucy could avoid incurring credit card debt but the family remained financially strained. She shared that paying for energy is:

“just draining. I think it's really helpful, the help that we've got from the government but it literally only lasts like a week”

Lucy doesn't know how she will accommodate the loss of £66 a month in EBSS payments as she has no disposable income. The family's joint income is not enough to cover their outgoings. Looking ahead to next winter, Lucy anticipates using her credit card to keep the meters topped up. She will have to use emergency credit more frequently, which makes her anxious.

Prices are falling, but the energy affordability crisis is far from over

On the face of it, energy prices are moving in the right direction. From July 1st, the price cap fell to £2,074 for an average household with medium energy consumption.⁹

It may, therefore, be tempting to declare the energy affordability crisis over and turn our attention elsewhere. But this would be a big mistake. While energy bills have fallen, they remain over £800 higher than 2 years ago¹⁰ and are not expected to return to pre-pandemic levels until at least the end of the decade.¹¹

The current price cap is over 60% higher than it was in winter 2021, and is 14% of median equivalised disposable income for the poorest fifth of the population.^{12 13}

The price cap for 1 October to 31 December will be announced at the end of August. It is hard to predict with certainty how the wholesale prices the level of the price cap is based on will change in the future.¹⁴ However, the latest estimates suggest that the price cap will fall to £1,925 in October, before rising to £2,082 in January 2024.^{15 16}

⁹ The previous price cap was set at £3,280, with customers paying an average of £2,500 due to the Energy Price Guarantee. Ofgem (2023) [Default Tariff Cap | Ofgem](#)

¹⁰ Ofgem (2023) [Default Tariff Cap | Ofgem](#)

¹¹ Cornwall Insight (2022) [Energy prices to remain significantly above average up to 2030 and beyond](#)

¹² Ofgem (2023) [Default Tariff Cap](#) Breakdown of the default tariff price cap. For a dual-fuel, direct debit customer with typical consumption, the July- September price cap of £2,074 is 62.4% higher than the winter 2021/22 price cap of £1,277.

¹³ ONS (2023) [Average household income, UK: financial year ending 2022](#) According to the ONS, the median equivalised household disposable income for the poorest fifth of the population in the UK was £14,500 in the financial year ending 2022 which is the most up to date figure available. £2,074 is 14.3% of £14,500.

¹⁴ Ofgem are making changes to the way that typical domestic consumption is calculated for the price cap from 1st of October. The overall price cap amounts are likely to reduce by approximately 5% as a result, though the underlying cost of energy will not be affected by this change. Ofgem (2023) [Decision for Typical Domestic Consumption Values 2023](#)

¹⁵ Cornwall Insight (2023) [Cornwall Insight's final forecast for the October price cap](#)

¹⁶ Due to changes in Ofgem's estimates of an average household's energy use, the official price cap level is predicted to be £1,823 from October and £1,979 from January. We are using the old price cap usage amounts to allow us to compare with previous years. The changes to the estimates do not affect the underlying cost of energy.

As it stands, households will not receive dedicated additional support to pay their energy bills this winter. The Energy Price Guarantee discounts ended on the 1st of July 2023, and will only come back into force if prices rise above £3,000 per year.¹⁷ Households with prepayment meters may continue to receive a small discount to ensure that the average prepayment household doesn't pay more than those on a direct debit.¹⁸

If the current forecasts hold true, the average household paying by direct debit can actually expect to pay slightly more per month between January and March 2024 than they did between January and March 2023.

	Monthly bill based on Jan-Mar 2023 price cap and government support for DD dual fuel customer*	Monthly bill based on estimated¹⁹ Jan-Mar 2024 price cap and government support for DD dual fuel customer
Total bill paid by household	£141.33	£173.55
Bill	£356.58	£173.55
Energy Price Guarantee	£-148.25 ²⁰	£0
Energy Bill Support Scheme	£-67 ²¹	N/A
<p>* Note: These estimates do not take into account Cost of Living Payments. These are cash payments made to households to help with the broader cost of living increases, and not all households will have used these payments to pay their energy bill.</p> <p>The Energy Price Guarantee reduced the amount that a typical household in Great Britain was charged per unit of gas or electricity to an annual equivalent of £2,500. The Energy Bills Support Scheme gave households a £400 discount on energy bills between October 2022 and March 2023. This reduced bills for a typical household to an annual equivalent of £2,100 which is just above the current price cap of £2,074. These estimates do not take typically higher winter consumption into account and may underestimate monthly bills as a result.</p> <p>These bills are based on the old estimates of average usage of 2,900 kWh per annum for electricity and 12,000</p>		

¹⁷ UK Government (2023) [Energy Price Guarantee - GOV.UK](#)

¹⁸ Ofgem (2023) [Levelisation of payment method cost differentials: a call for evidence](#), page 2, footnote 6

¹⁹ Cornwall Insight (2023) [Cornwall Insight's final forecast for the October price cap](#)

²⁰ UK Government (2023) [Energy Price Guarantee - GOV.UK](#)

²¹ UK Government (2023) [Getting a discount on your energy bill - GOV.UK](#)

kWh per annum for gas (which are being revised downwards from October 2023) with a tariff that charges the maximum amount allowed under the price cap.

As set out above, energy bills at this level were simply unaffordable for many low income households last winter, leading to record numbers of people coming to Citizens Advice for help.

And we are now another year into the cost of living crisis. People have already cut back their household expenditure to the bare minimum while the cost of other household essentials has risen sharply.

Last year the Government announced a series of Cost of Living payments in 2023/24 for 8 million households on certain low income benefits. This winter they will receive one in Autumn 2023 and one in Spring 2024, totalling nearly £600.²² Households with pensioners will also receive up to £300 through their Winter Fuel Payment. This will provide welcome additional support but will not be sufficient to tackle the scale of the affordability crisis households are facing.²³ The cost of mortgages and rents, along with food and other essential bills have risen significantly since the Cost of Living payments were calculated and announced. The Cost of Living payments will not be applied directly to energy bills and households may need to put the money towards other essential bills.

In comparison, we estimate a social tariff of the kind we modelled earlier this year would reach up to 12.3 million households, with 66% of recipient households in the bottom three income deciles.²⁴

²² Department for Work and Pensions (2023) [Cost of Living Payments 2023 to 2024](#)

²³ Department for Work and Pensions (2023) [Over 8 million families to receive £301 Cost of Living Payment from today](#)

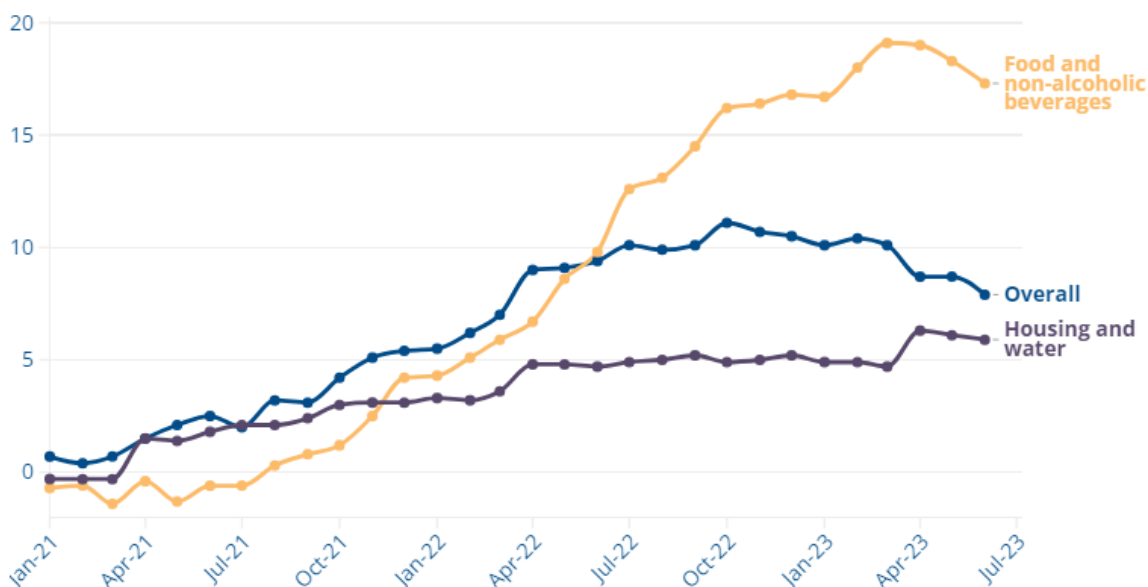
²⁴ Citizens Advice, Social Market Foundation and Public First, [Fairer, warmer, cheaper: new energy bill support policies to support British households in an age of high prices](#), page 10.

This winter is set to be as bad, or even worse, than the last

Inflation was very high in the first half of 2023, peaking at over 10%. This has placed further intense pressure on household incomes as wages have failed to keep pace.²⁵ Some household essentials have risen by even more than this topline figure, which has a significant additional impact on low income households. For example, food price inflation measured by the Consumer Prices Index (CPI) in the UK peaked in the twelve months leading up to March 2023 at 19.1%.²⁶ CPI has also understated inflation for low income households by approximately 5% between 2005 and 2021.²⁷ While inflation is now falling, the cost of essentials will continue to rise in the months to come.

CPI (Percentage change over 12 months)

CPI excludes mortgages and council tax. Housing and water costs are normally grouped with energy costs but energy has been excluded here.



A growing number of households are living on empty

Over 50% of the people Citizens Advice help with debt advice are now in negative budgets, **meaning they have more essential spending going out**

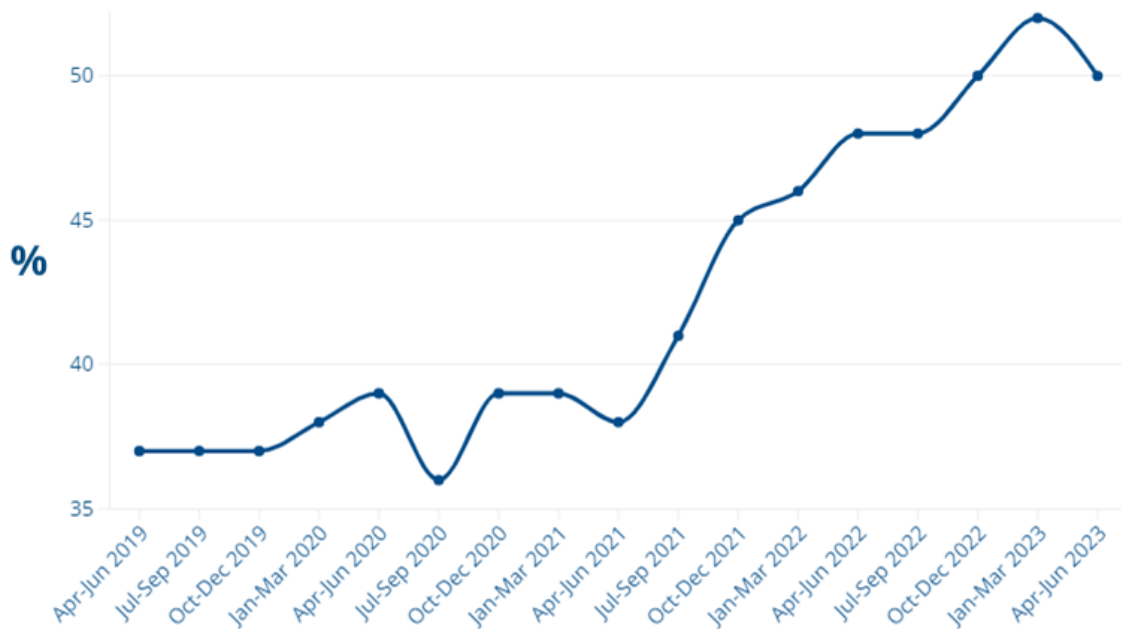
²⁵ ONS (2023) [Average weekly earnings in Great Britain: July 2023](#), Figure 3.

²⁶ ONS (2023) [Food and energy price inflation, UK: 2023](#)

²⁷ Citizens Advice (2023) [For the poorest, the cost-of-living crisis is worse than it officially looks](#)

than they have income coming in. Even after our advisers do everything they can, their income just doesn't cover the basics like housing, energy and food. This trend has largely been driven by the rising cost of essential spending, so there's nothing left for these households to cut.²⁸

Proportion of people we help with debt issues in a negative budget



Negative budgets force some to rely on borrowing and credit to pay their bills. During winter 2022, 15% of adults said that they were using credit more than usual, with the proportion being higher among younger people, people using prepayment meters, those renting or with mortgages, and those with dependent children.²⁹

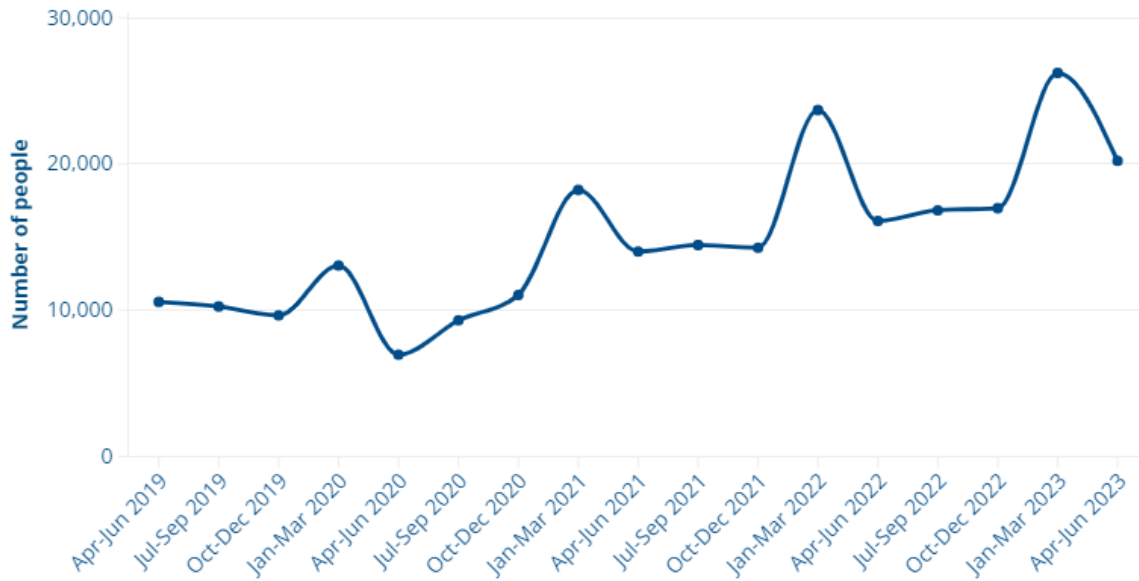
In this context, it is not surprising that the number of people we have seen with energy debt, and the amount of debt they owe, has risen significantly through 2023. We expect this trend to continue into the winter.

As the graph below shows, the number of people coming to us for advice about energy debt is seasonal, with significant spikes each year in January to March. These are often the coldest months of the year, and as they follow Christmas, people often put off tackling rising debts until the winter holidays finish. The overall trend is upwards, with peaks and plateaus reaching new highs each year.

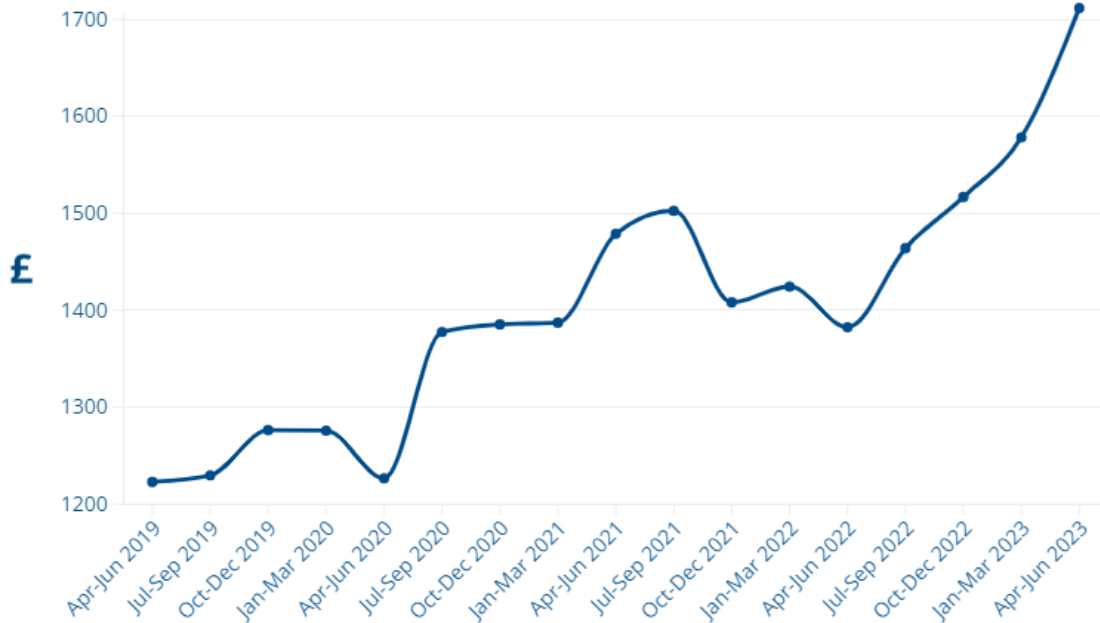
²⁸ Citizens Advice (2023) [Spotlight on our debt data](#) Slide 8: The rising cost of essentials is driving the rise in negative budgets

²⁹ ONS (2023) [Impact of increased cost of living on adults across Great Britain: September 2022 to January 2023](#)

Number of people coming to us for energy debt advice



Average level of energy debt for the people we help with debt advice



Compared to previous years, energy debt for the clients we help is at its highest ever level, and is nearly a third higher than it was in 2019.

In 2022 and previous years, there was a decrease from the first to second quarter in the average energy debt among people we helped with debt advice, from £1,424 to £1,382. That decrease has not been repeated in 2023. The continuing accumulation of debt throughout 2023 (rising from £1,578 in Q1 to

£1,711 in Q2) is worrying, as it suggests that people are not able to pay energy debts off during the warmer months, when households use less energy.

Our nationally representative polling demonstrates that this is not a problem limited to our debt clients.³⁰ Over the first 6 months of 2023:

- 24 million people (44%) said they are worried about paying their energy bills over the next 6 months, including 15 million people who are in work.
- 12.4 million people (23%) said that the bill they are most worried about paying in the next six months is their energy bill.
- 7.8 million people (12%) have had to borrow money to cover their energy bills.
- 1.2 million children live in households which have had to go without heating, hot water and electricity. This includes over half a million children under 5.
- 1.5 million people have had to cut back on or stop the use of essential medical equipment.

There is a very real risk these figures will rise over the remainder of 2023. Consistently relying on borrowing to pay bills is unsustainable, and rising interest rates mean that even this last resort may not be available to all of those struggling to pay their bills.

The next six months could tip many households over the edge

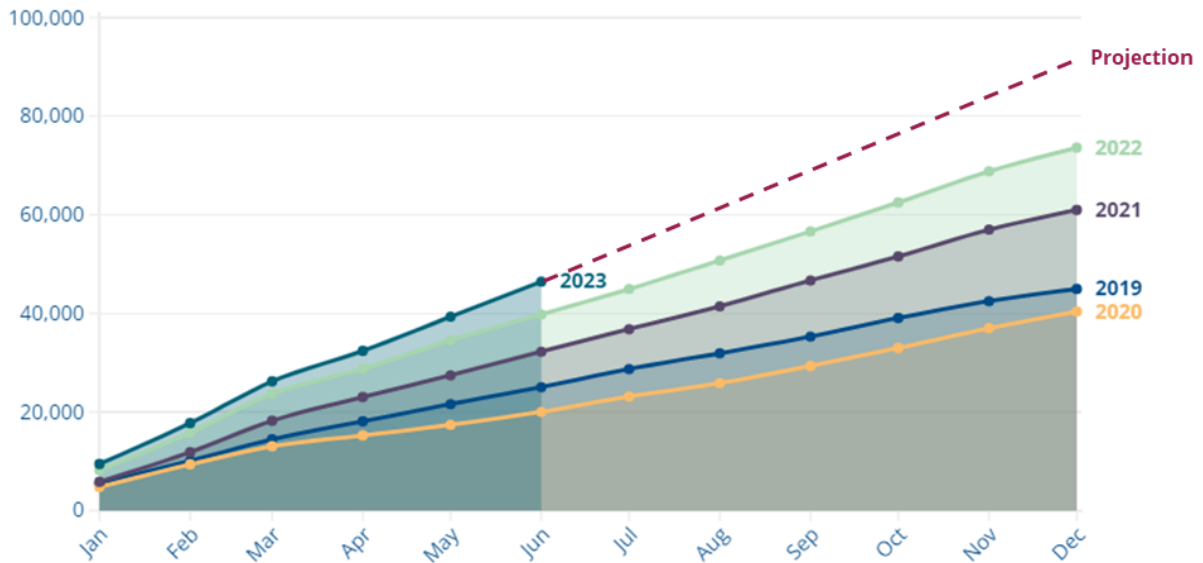
Based on the first half of the year, we predict that 2023 will be a record year for the number of people Citizens Advice helps with energy-related issues.

By the end of the year, we predict that we will have helped 93,000 people with energy debts, an increase of 26% over 2022.

³⁰ Based on analysis of an online poll conducted by Walnut Unlimited for Citizens Advice. A nationally representative sample of 4,268 adults aged 18+ in the UK were surveyed. The figures have been weighted and are representative of all UK adults (18+). Fieldwork was conducted between 2nd — 12th June 2023. Walnut's social research team is a member of the British Polling Council and abides by its rules.

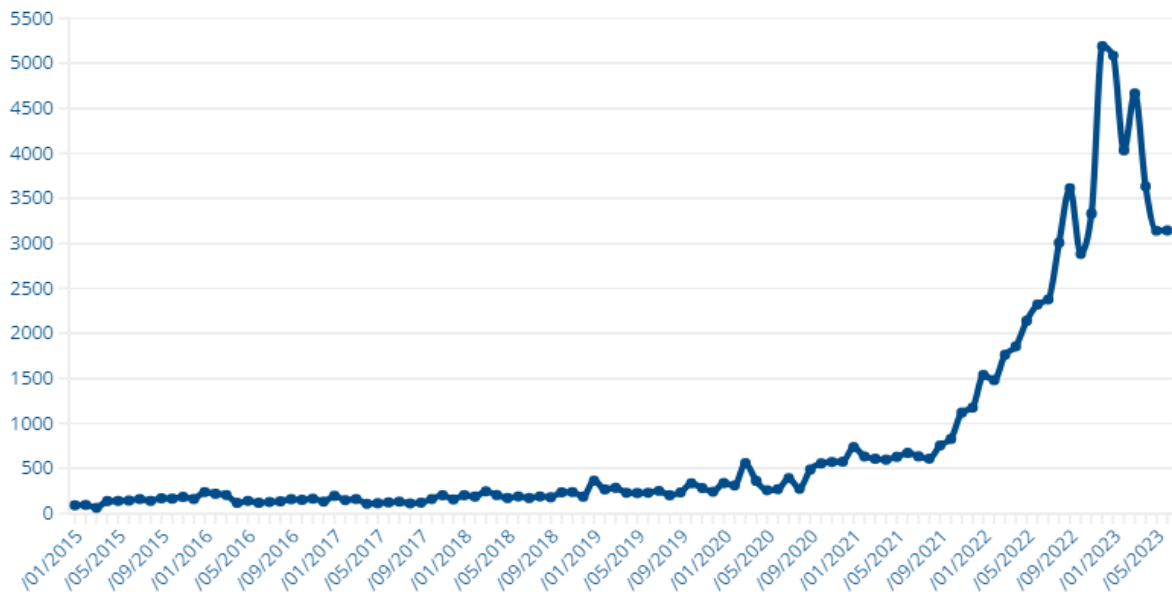
Based on the first 6 months of 2023, we project that we will help over 90,000 people with energy debts by the end of the year

Cumulative people we've helped with energy debts each year



Despite the ban on new forced prepayment meter installations in place since February 2023, we are still seeing record-breaking numbers of people who are coming to us because they are unable to top up their prepayment meter. These numbers have dropped off since the peak of last winter. But they are still 35% higher than June 2022 and 368% higher than June 2021.

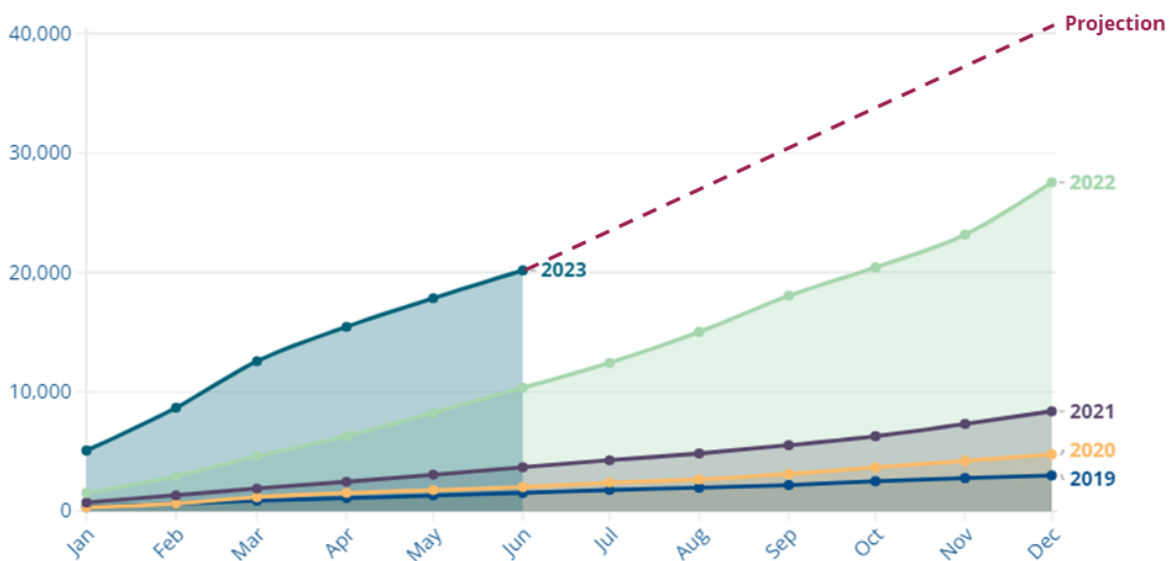
The number of people we've seen who can't afford to top up their prepayment meter each month



We are concerned that the next six months will be even worse. By the end of September this year, before the real onset of winter, we expect to have seen more people who are unable to top up their prepayment meters than for the whole of 2022. By the end of 2023, we expect to have seen more than 40,000 people who are unable to top up their meters - 46% higher than in 2022. As this is based on an estimate which maintains the trajectory of the first six months of the year, it is likely to underestimate the true figures.³¹

Based on the first 6 months of 2023, we project that we will see more than 40,000 people who've been unable to top up their prepayment meters by the end of the year

Cumulative number of people we've seen who have been unable to top up their prepayment meters each year



Citizens Advice is not the only organisation anticipating a sharp increase in the number of people seeking help with their energy costs this year. The Fuel Bank Foundation estimates that it will support half a million people by the end of 2023 with emergency vouchers to top up their prepayment meters, up from 291,000 in 2022.³²

³¹ We predict that we will see 40,308 people unable to top up their PPMs in 2023, a rise of 46% over the 27,521 we saw in 2022.

³² Unpublished 2023 projection provided to Citizens Advice by the Fuel Bank Foundation. 2022 total: 290,908. Citizens Advice has a strategic partnership in place with the Fuel Bank Foundation that enables us to provide fuel vouchers to our clients.

Some groups of households are more in need of support than others

The cost of living crisis is not affecting all households equally. Our data tells us the households experiencing particular harm are those which include someone who is disabled or has a long term health condition, single parents and newly financially vulnerable people.^{33 34 35}

In 2021 Citizens Advice commissioned an ongoing research project which returned to the same people to track their experiences over time, to understand the changing experiences of low and middle income energy consumers. Combining the rich insights from this research with frontline data on the detailed income and expenditure of Citizens Advice debt clients allows us to build up a uniquely rounded picture of the experience of these groups throughout the crisis.

Disabled people

Barry³⁶ has a disability and is unable to work. He lives with his partner in social housing. Barry's financial situation causes him a lot of stress, especially because he has young children, and the worry often exacerbates his health condition. Barry feels he is:

"robbing Peter to pay Paul, I'm forever moving money around". "I know that the money once it's gone, it's gone - I know that I don't owe nothing... it's taking it day by day and depending on how much I need to put on the meter will depend on how much food I will have."

³³ Citizens Advice (2023) [Living with a disability: the continuing crisis](#).

³⁴ Citizens Advice (2023) [How is the cost of living crisis affecting different groups](#), slide 5: The proportion of people we help with debt issues in a negative budget (household type).

³⁵ Citizens Advice (2022) [The 'just about managing' households set to plunge into a cost-of-living crisis](#).

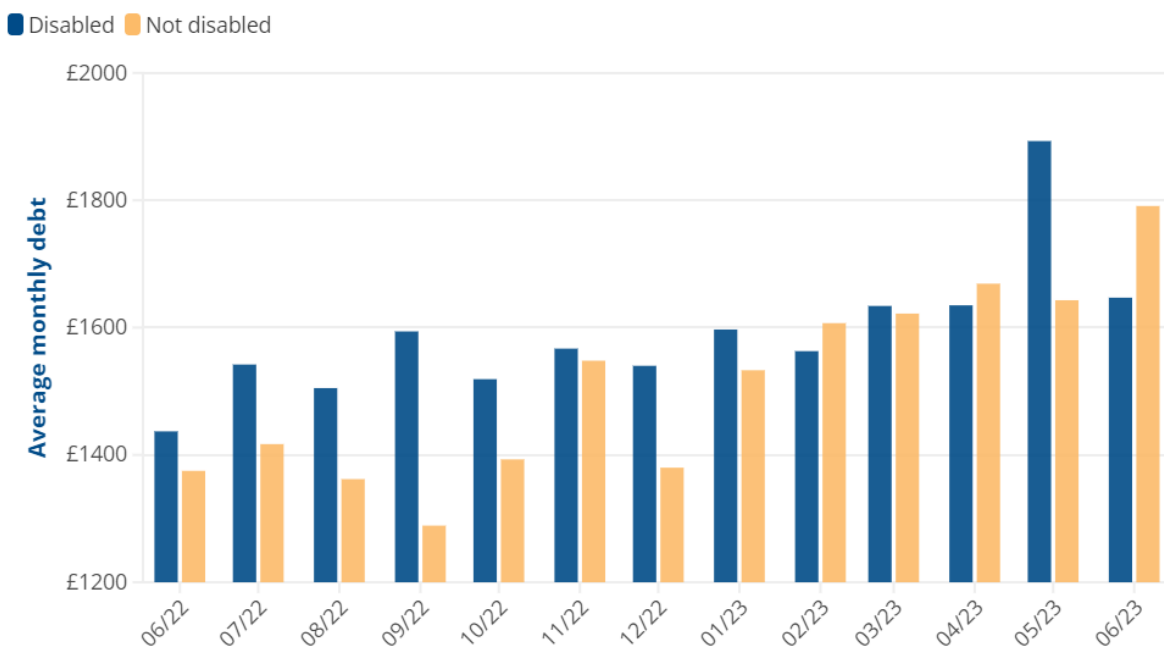
³⁶ Case studies based on research conducted on behalf of Citizens Advice by [Blue Marble Research](#) tracking the experiences of energy consumers. The research has been running since November 2021; it includes in-depth interviews with each household, alongside other check-ins and income and expenditure tasks. Names have been anonymised.

Last winter he frequently skipped meals and avoided heating his home to save costs. To keep warm he wore several layers of clothing and used a hot water bottle. Despite adopting these behaviours Barry noticed the money on the meter was running out quickly. His household received the Energy Bill Support Scheme vouchers late, but they provided some breathing space when they arrived. In the past he has used a credit card to pay for energy which accumulated debt. Looking ahead to next winter, Barry anticipates that finances will be strained. He is trying to save as much money now as possible ahead of next winter but with his financial situation not improving and with the reduction of support Barry worries about how he will cope.

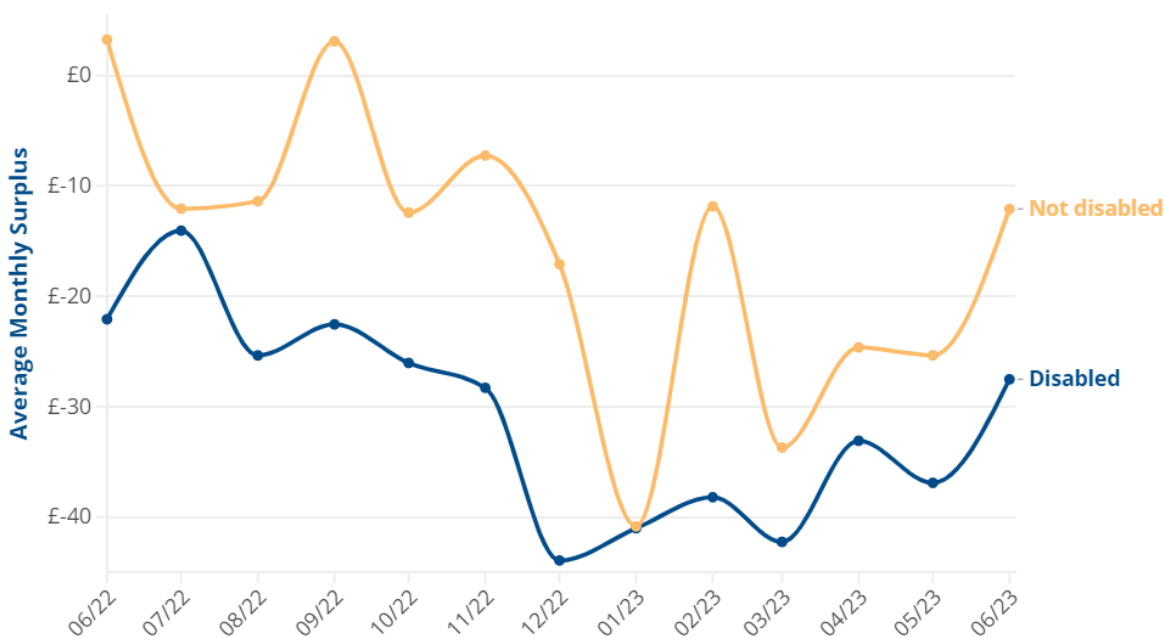
Data from our case work with people who come to us for help with their energy debts shows that Barry's experience is far from unique. Disabled people are generally more likely to have higher energy debts than non-disabled people, and likely to have a higher monthly shortfall in their income.

While the average levels of energy debt by health status changes over time, we can see from the charts below that disabled people tend to have higher levels of energy debt than non-disabled people. We can also see that during the colder months disabled people can face higher average debt than non-disabled people. The average monthly shortfall for disabled people during December 2022 was £43.94, most recently in July 2023 this has reduced to £27.42. People living with disabilities often have higher average energy debts and a higher monthly shortfall in their income.

Energy Debt by Health Status



Monthly Surplus by Health Status



Note on methodology: The mean in this graph has been trimmed by 20% to remove outliers.

55% of disabled respondents to our cost of living polling said they are very or fairly worried about being able to afford their energy bills in the next 6 months. This compares to 40% for those who don't identify as having a disability or long term health condition.

46% of disabled respondents to our cost of living polling said they had cut back or stopped spending on energy in the last 6 months. Within that group, 55% said this meant they had reduced or stopped hot showers and baths, and 39% said they had reduced or stopped cooking hot meals.

Single parents

We're also concerned about the impact of energy costs on families with young children, and particularly single parents.

Sanaa lives with her son in a privately rented home. She works part time and receives Universal Credit and child maintenance. Last winter Sanaa tried to reduce her energy consumption by heating her home only when her son was present. Her son found it difficult to be in a cold home. In spite of her efforts, Sanaa found out she owed her energy company £900. The experience was:

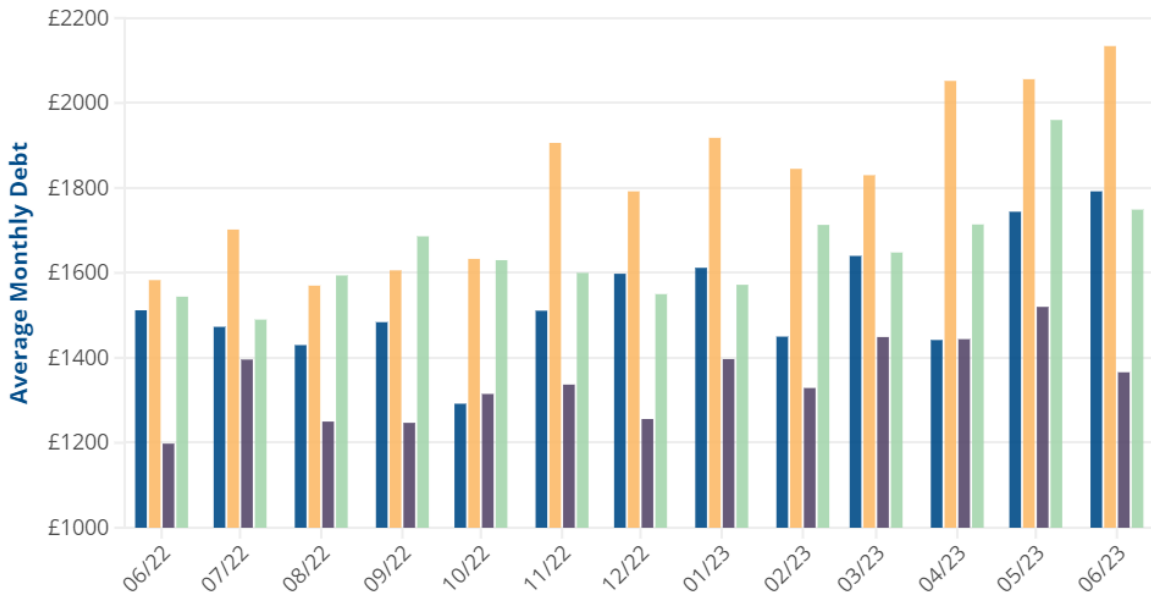
'Scary, worrying, concerning. At first like wow, how did I get to this when I've been giving meter readings and trying to cut back on energy usage as much as possible?'

Sanaa's energy debt continued to rise and reached over £3,000, and she now has a repayment plan in place. But with the end of the Energy Bill Support Scheme, Sanaa feels very anxious about paying for her ongoing use and energy debt, especially with increased costs elsewhere. She expects her debt will increase further.

As we can see from the charts below, Sanaa's experience is sadly typical for many single parents. This cohort is likely to have very high levels of energy debt, and high monthly shortfalls, and while these challenges are frequently also faced by cohabiting couples (with or without children), the income levels in a single parent household are likely to be lower.

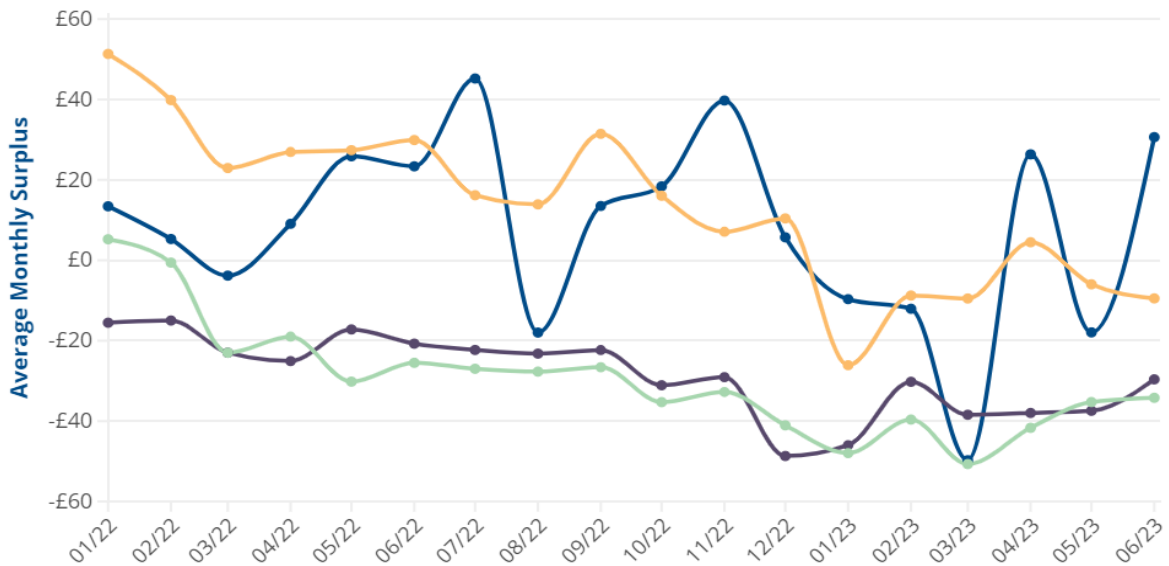
Energy Debt by Household Type

■ Couple ■ Parents ■ Single adult ■ Single parents



Monthly Surplus by Household Type

■ Couple ■ Parents ■ Single Adult ■ Single Parents



Note on methodology: The mean in this graph has been trimmed by 20% to remove outliers.

Our cost of living polling also shows the extent to which Sanaa's anxieties are shared:

77% of single parents said they are very or fairly worried about paying for energy in the next 6 months. This figure is 54% for co-parents.

52% of single parents said they had cut back on energy spending in the last 6 months. This figure is 43% for co-parents.

Working households with low financial resilience

Alexa's partner works in hospitality which means that their household income fluctuates depending on the number of hours her husband is able to work. She has a long-term health condition which prevents her from working. The family must rely on Universal Credit to fill the gap when their household income is reduced. Last winter her supplier tried to increase her monthly direct debit payments but after talking to her supplier she managed to reduce the amount.

"I told them, if that happens, my kids won't be fed."

She knew this would result in further debt. The Cost of Living Payment was used to buy school uniforms so couldn't be used towards paying for energy. Alexa tries to shield her children from their financial difficulties. In addition to her energy debt, Alexa has very high credit card debt accumulated through using credit to pay for essentials. Alexa tried to save energy where she could during the winter by using the heating less and using blankets, but with young children this was a challenge.

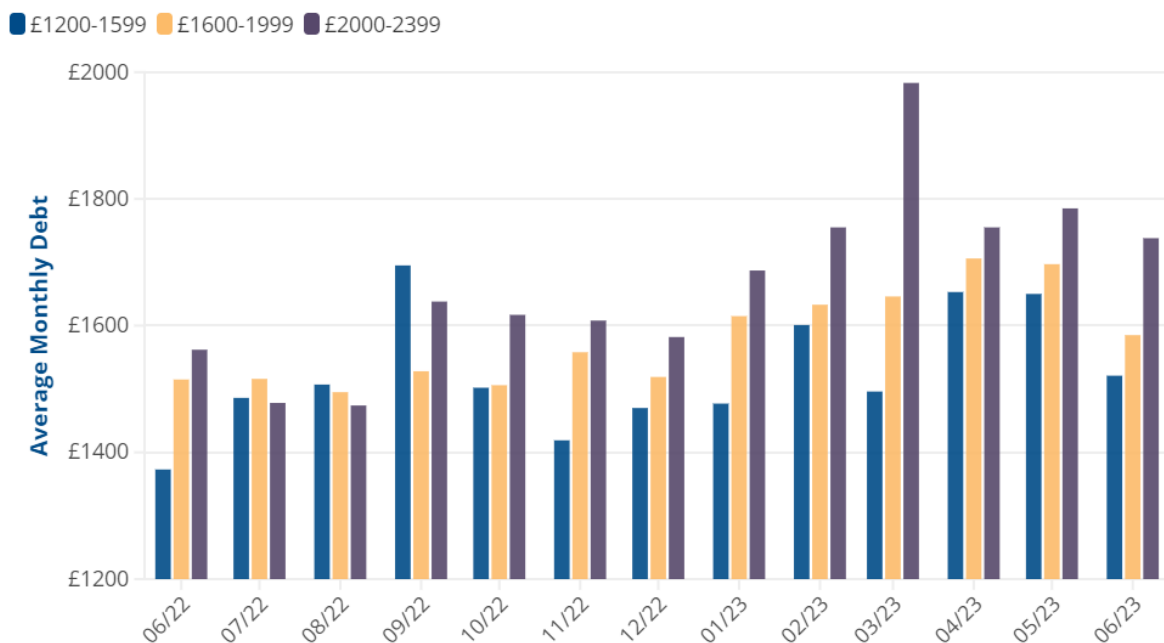
"Our lack of finances was becoming apparent. But at the same time, I can't let my kids freeze."

The Energy Bill Support Scheme meant the family had just enough money to buy food. The Warm Home Discount was used towards the debt owed to her supplier. Alexa doesn't know how they will manage next winter. She is desperate for a solution to their financial struggles.

Alexa's experience is typical of households with low to middle incomes. These households have a higher average monthly surplus than those with lower incomes, but it has decreased since last year. In June 2022, households with a monthly household income between £2,000-£2,399, who we helped with debt advice, had an average surplus of £86.06, but by June 2023 this had reduced to £33.23.³⁷

The average energy debt for this income band in June 2023 was £1,738. Working households generally have access to credit, so in some cases can delay payments, which can result in higher energy debt. But those with higher monthly incomes are now stretching to meet increases in prices. We know from our tracker research that these households are now more likely to adopt behaviours typically seen in low-income families such as avoiding eating to afford heating.³⁸

Energy Debt by Monthly Income Band

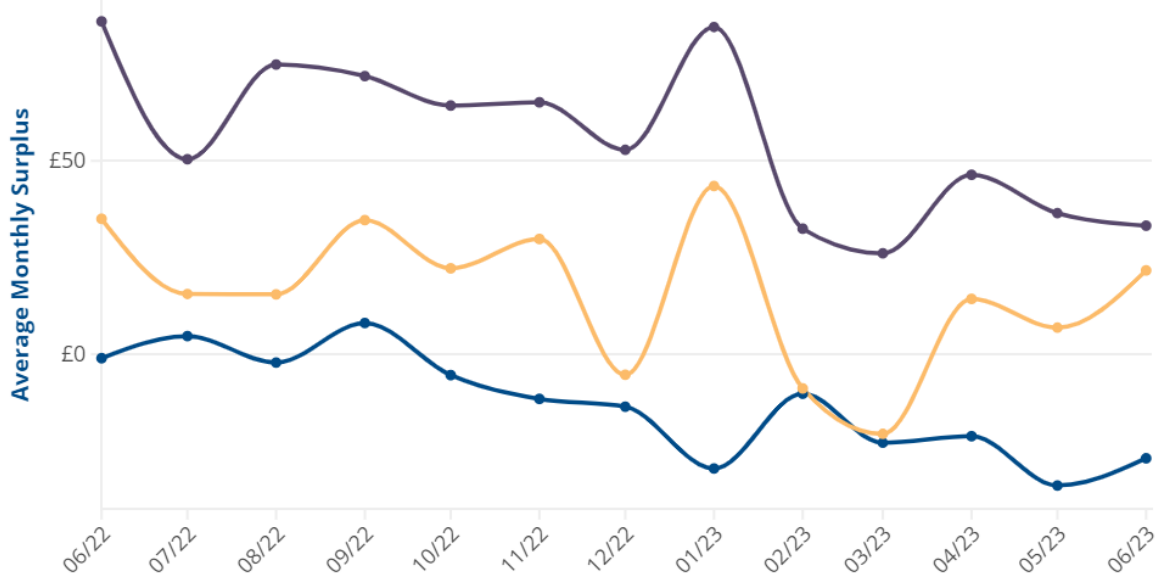


³⁷ Income bands are based on monthly household disposable income (after tax, and including income from benefits). As income can fluctuate on a monthly basis, it cannot be projected into an annual income with certainty.

³⁸ Citizens Advice (2022) [The 'just about managing' households set to plunge into a cost-of-living crisis.](#)

Surplus Income by Monthly Income Band

■ £1200-1599 ■ £1600-1999 ■ £2000-2399



Note on methodology: The mean in this graph has been trimmed by 20% to remove outliers.

The number of households who say that their income does not cover their essentials has more than doubled from 1.3 million (4.5% of all households) in April 2021 to 2.7 million (9.6%) in June 2023.³⁹

In the last six months, 5.6 million households got into debt or behind on bills to pay for essentials. This does not include those who borrowed from friends or family.

³⁹ Based on comparing analysis of a 2023 online poll (see footnote 30) with an unpublished survey conducted by Walnut Unlimited of 6,001 UK adults weighted to be nationally representative of the UK, on behalf of Citizens Advice, April 2021.

Government must act now to support households through this winter, and beyond

It is clear that additional Government support for energy bills is needed to help people keep their homes heated and powered to safe levels this winter. It is disappointing that we find ourselves in this situation. Earlier this year Citizens Advice called on the Government to move quickly towards implementing a new, enduring system of energy support, effectively targeted at those who need it the most - often referred to as a social tariff.⁴⁰

So far, despite warm words, little progress has been made and time has now run out to get long term support in place ahead of winter. Low income households are living on empty and worry about how they will make it through the winter without the support they need.

This must be the year that we end this damaging and expensive cycle. Alongside introducing a new package of support for energy bills to help people through this winter, the Government must also commit to introducing a new social tariff before winter 2024-25.

Low income households need the security and peace of mind that they will not be faced with unaffordable energy bills as they head into next winter. Putting in place a long-term solution to energy affordability will also allow the Government to safely focus on other policy priorities.

What could a new package of energy bill support this winter look like?

The options available to the Government are limited by two factors. First, winter is now only a few months away which means that there is not sufficient time to design and put in place a new support scheme - it will need to utilise existing support mechanisms. The second is a lack of progress on producing reliable household income data which means that there are only two ways to target

⁴⁰ Citizens Advice, Social Market Foundation and Public First (2023) [Fairer, warmer, cheaper: new energy bill support policies to support British households in an age of high prices](#)

support in the time available - a universal package of support given to all households irrespective of need, or support based on benefits eligibility.

Last winter, the Energy Bill Support Scheme (EBSS) and Energy Price Guarantee (EPG) provided support to all households in Great Britain, with a similar scheme operating in Northern Ireland. This universal support was supplemented by Cost of Living payments paid to people in receipt of some means tested benefits. These households are due to receive two more payments totalling just under £600, one in Autumn 2023 and another in Spring 2024.

This approach had the benefit of ensuring that low and middle income households, which were unable to afford the huge increase in energy bills but were not eligible for means tested benefits, still received support. However, it was also somewhat wasteful, as more affluent households received support which they did not need. And it was extremely expensive - in total the EBSS, EPG and the Domestic Alternative Fuel payments have so far cost more than £33 billion - over a fifth of the annual NHS commissioning budget.⁴¹

Estimated total costs⁴²

The Energy Bill Support Scheme (EBSS) - £12bn

The Energy Price Guarantee (EPG) £20.9bn⁴³

Domestic Alternative Fuel payments £708m

Total: £33.6bn

At a time of constrained public finances, support should be targeted at those who need help the most. As outlined above, the options available are constrained by the time available to design and implement a support package and reliable household income data. As a result, there is no perfect option on the table.

Difficult decisions will need to be made about how support should be targeted and some households who need support may miss out. If energy prices unexpectedly spike again, or our data indicates that a targeted support package is not meeting the scale of need as winter bites, the Government may need to consider a broader package of support.

⁴¹ NHS England (2022) [Our funding](#)

⁴² National Audit Office (2023) [Energy bills support](#) Figure 2, page 12

⁴³ UK Parliament (2023) [Energy Price Act 2022 and expenditure on energy schemes - Q1 2023](#)

The Government could consider providing additional support using the Warm Home Discount mechanism

Ultimately, how to target and deliver this support is a decision for the Government. However, one way to deliver targeted energy bill support would be to provide additional support using the Warm Home Discount (WHD) mechanism. The WHD provides eligible households with a fixed discount on energy bills each year, currently set at £150.

Additional support could either be provided through a one off increase in the existing WHD payment, or by using the data matching and payment model through which WHD is delivered in England and Wales to provide an additional support payment. For example, the Government could introduce a more targeted Energy Price Guarantee in this way.

There are some clear advantages to this approach. First, most (though not all) of the households most in need of additional support with their energy bills are eligible for the WHD. Second, the scheme is already in place and well-established, despite some data-matching complexities, particularly in Scotland. It would be relatively straightforward for the Government to increase the level of the financial support through this scheme in time for the winter.

The Department for Energy Security and Net Zero are already looking at introducing further flexibility into the scheme.⁴⁴ Changes could relatively easily be made to the scheme through secondary legislation to ensure that it delivers higher levels of support to energy customers.⁴⁵

There is, however, one clear limitation to this approach - not all households in receipt of benefits are eligible for the WHD. For example, disabled people who receive disability benefits such as PIP or DLA but no other benefits are not eligible for the WHD. In addition, households in receipt of qualifying benefits, with the exception of those receiving the Guarantee Credit element of Pension Credit, are only eligible if they have particularly high energy costs - so not all households in receipt of these benefits are eligible.

⁴⁴ Department for Energy Security and Net Zero (2023) [Delivering a better energy retail market](#), page 10

⁴⁵ Energy Act 2010 [Section 9](#)

Low income households struggling with the cost of energy but who are not eligible for, or do not claim benefits will also miss out. The Government should therefore also consider expanding eligibility for the WHD or alternative routes to ensure all households get the support they need. For example, it could consider temporarily removing the requirement that households in receipt of qualifying benefits also have high energy costs to increase the number of low income households receiving support.⁴⁶

What is the Warm Home Discount (WHD)?

WHD provides an annual fixed discount on electricity bills, paid between October and March. The discount (currently £150) is credited in a single month. 2.8 millions households are currently eligible for WHD⁴⁷.

If you live in England and Wales, you qualify if you either:

- get the Guarantee Credit element of Pension Credit
- are on a low income and have high energy costs

If you live in Scotland, you qualify if you either:

- get the Guarantee Credit element of Pension Credit
- are on a low income and meet your energy supplier's criteria for the scheme

Being on a low income is defined in terms of being in receipt of one of a range of means tested benefits or tax credits.⁴⁸

How could the WHD be scaled up?

If the Government were to go ahead with scaling up the WHD, or using the WHD mechanism to deliver an alternative means of support, it would need to consider how much to increase the payment by. Currently the discount is set at £150. In

⁴⁶ Citizens Advice have been made aware of a number of concerns from people who used to be eligible for the Warm Home Discount but recently stopped receiving it due to changes to the energy rating eligibility criteria. This causes significant confusion and can exacerbate the challenges faced by struggling households. We are therefore aware that existing issues with the scheme could negatively impact on the efficacy of this solution and greater flexibility within the scheme would be needed.

⁴⁷ Citizens Advice, Social Market Foundation and Public First, [Fairer, warmer, cheaper: new energy bill support policies to support British households in an age of high prices](#), page 29

⁴⁸ UK Government (2023) [Warm Home Discount Scheme](#)

our previous work on energy bill support, conducted when energy bills were at around £3,000 per year, we found broad public support for providing a discount of around 30% on energy bills.⁴⁹ With the price cap currently set at £2,074, a 30% discount would equate to around £600.⁵⁰ On current predictions for October, that discount would be roughly £575.⁵¹

At the current level of £150 it costs each bill payer £19, for a total of £475m⁵². Increasing the payment to £600 for the currently eligible cohort would add an additional £1.26 billion to the scheme - considerably less than the £12 billion cost of the EBSS.⁵³

Value of WHD per year	Total cost for existing WHD cohort ⁵⁴
£150	£475m
£300	£895m
£450	£1.315bn
£600	£1.735bn

Expanding the eligibility for the Warm Home Discount could further raise the costs, and dramatically increase the benefits of the scheme overall. Our work with the Social Market Foundation and Public First estimated the number of households claiming benefits who would potentially benefit from bill support. This includes households eligible for means-tested benefits and disability benefits (5.8 million), but excludes 2.5 million households outside the benefit system but with low incomes and who would potentially benefit from a social tariff⁵⁵ as there is no way to reach them in time for winter. We have modelled the cost of expanding the scheme to eligible households below.

⁴⁹ Citizens Advice, Social Market Foundation and Public First (2023) [Fairer, warmer, cheaper: new energy bill support policies to support British households in an age of high prices](#) page 27

⁵⁰ 30% of £2,074 is £622.20.

⁵¹ 30% of £1,925 (the price cap level using the old typical domestic consumer values) is £577.50.

⁵² BEIS (2022) [Warm Home Discount: Better targeted support from 2022](#)

⁵³ These costs are predicated on the current eligibility for the WHD, and would rise if eligibility was expanded.

⁵⁴ The current cost of the £150 WHD scheme for 2.8 million households is £475m. £420m of this goes towards the payments, leaving £55m for administration costs, which is £19.64 per household. We have assumed a fixed per household administration cost to calculate the total cost of the scheme if the payment amounts were increased.

⁵⁵ Citizens Advice, Social Market Foundation and Public First (2023) [Fairer, warmer, cheaper: new energy bill support policies to support British households in an age of high prices](#), page 30

Value of WHD per year	Cost for expanded eligibility (delivered through benefits system) ⁵⁶
£150	£984m
£300	£1.85bn
£450	£2.72bn
£600	£3.6bn

The cost of the WHD is currently spread across all energy bill payers through a levy. At a time when so many households are struggling to afford their bills Citizens Advice would not support raising the additional funding through increasing this levy on bills. If the Government did decide to provide bill support in this way, the additional cost should be covered by the Treasury.

The Government would also need to consider ways to maximise the impact of the scheme. For example, it should work with stakeholders to improve the administration of the WHD so that people entitled to support don't miss out. This includes ensuring that people on prepayment meters are able to easily access the support they are entitled to and looking at ways to provide equivalent support to people in Northern Ireland.

Whether the Government decides to provide additional support for energy bills through expanding the WHD or via another route, what is clear is that **it must not stand by while disaster unfolds.**

Winter is fast approaching and time is running out to get a support package in place to ensure that the worrying trends within our data don't continue. If the Government doesn't act quickly, it is clear that the number of households living on empty, unable to pay their essential bills and keep their homes warm and powered through the winter will continue to spiral, with devastating results.

⁵⁶ As there is overlap between the existing Warm Home Discount cohort and those claiming benefits, the government would need to consider how best to ensure households only received the appropriate amount of support.

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