



21st January 2022

An Open Letter to Jonathan Brearley, Chief Executive of Ofgem, from Fuel Bank Foundation

Dear Jonathan,

Fuel Bank Foundation is a charity, but we also have many years' experience of working in the energy sector, so believe that we can offer knowledge from both perspectives.

We work with selected food banks, charities, and advice agencies across Great Britain to provide approximately two weeks' worth of fuel to people who are living without energy and use a prepayment meter.

In doing this we help prevent self-disconnection (where a household cannot afford to top up their meter) and ensure that people are not left without energy for the basics like cooking and heating when they run out of money.

Our own evidence (in December 2021, we saw the highest level of demand since Fuel Bank was launched six years ago) has shown us that many people are already struggling to afford to pay for their energy due to the cost-of-living crisis. In addition, our client base is expanding in both depth and breadth; existing clients need more help and we're also seeing lots of new clients who have never previously experienced fuel poverty. This latter group is particularly resource-intensive for us since they are not sure what to do or where they should go to access help. If this level of demand increases (as all the evidence suggests it will) the sad truth is that we will not be able to support all those who approach us for help.

Action therefore needs to be taken urgently, given that the price capped tariff will increase again from 1 April, to avoid more households falling into fuel poverty and, worse, being unable to keep themselves and their family warm.

We know that there is no silver bullet that will deliver a solution to the intractable problem of affordability. So, we don't have a preference as to what solution is chosen, but we do believe that it must, at least, adhere to the following principles:

1. Help must be meaningful. A typical dual-fuel price-capped tariff is forecast to rise by circa £700 from 1 April, so the intervention must go a significant way towards mitigating this enormous increase. The households we support have already made every possible saving in their budget and it will be impossible for them to absorb these extra costs.
2. Any financial assistance must be automatically received or, at the very least, reasonably simple and easy to access.

3. The help must be targeted at those who need it most. We think that the people who are currently eligible for (not simply those in receipt of) the Warm Home Discount would be a reasonable proxy for this group.

4. Non-switchers (who tend to be the most vulnerable) must be protected from the socialisation of the costs of supplier failure, since they may not have benefited from savings in the past. We know that prepayment meter customers are very unlikely to have had access to cheaper prices offered by new entrants.

5. The costs of any support must not simply be added to customer bills since this will, in turn, increase bills yet again. We know that poorer households already spend a larger proportion of their budgets on energy than more affluent ones.

6. Financial support should be ring-fenced for energy, rather than being provided as cash to recipients. Our clients often tell us that one of the things they like about the support provided by the Fuel Bank Foundation is that it can only be used for energy, instead of being diverted to other purchases as additional cash might be.

Whatever form of assistance the Government ultimately chooses, it still won't be enough to help the people that we support. As the current cost-of-living crisis deepens due to increases in National Insurance, stagnating wages, and rising inflation, they won't have the financial resilience to withstand these income shocks and will be pushed even further into fuel poverty.

Urgent consideration, therefore, needs to be given to extending extra support to this group. This could be done through, for example, additional funding of debt advice services, or expansion of provision of financial support to those customers that pre-pay for their energy.

Finally, we believe that only a properly funded Government scheme to improve the energy efficiency of the GB housing stock will solve the problem of energy affordability in the long-term. Although Fuel Bank Foundation clearly exists to support households in crisis, our work has only served to demonstrate to us that this is not a sustainable solution to the problems that our clients face. We very much like this quote from the late Desmond Tutu who said that "there comes a point where we need to stop just pulling people out of the river. We need to go upstream and find out why they're falling in".

Matthew Cole
Fuel Bank Foundation