National Audit Office

REPORT

Energy bills support: an update

Department for Energy Security & Net Zero

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National Audit Office

Energy bills support: an update

Department for Energy Security & Net Zero

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

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Key facts

8

schemes implemented by the government from 2022 to 2024 to reduce the impact of increased energy bills on domestic and non-domestic customers

£44bn

the estimated cost of the domestic and non-domestic schemes to reduce the impact of increases in energy bills (from 2022 to 2024)

2025

when the Department for Energy Security & Net Zero (DESNZ) will report the findings of its process, impact and economic evaluations of the schemes

289,000	households in England were estimated by DESNZ to have avoided fuel poverty due to the Energy Bills Support Scheme and Energy Price Guarantee
0.7%	proportion of scheme payments, worth £291.8 million, estimated by DESNZ to be claimed fraudulently or paid in error
98.7%	proportion of eligible customers receiving payments through the Energy Bills Support Scheme
12	out of 101 non-domestic suppliers on the Energy Bills Relief Scheme have been approved to exit the scheme after a supplier-by-supplier basis review of payments. DESNZ expects to close this scheme by April 2025

Summary

1 Prices for electricity, gas and other fuels in the UK and Europe began increasing from summer 2021, initially as economies reopened after COVID-19 and later when Russia's invasion of Ukraine had an impact on energy markets. As a result, average annual household bills for gas and electricity increased from £1,277 in winter 2021-22 to over £4,000 by the start of 2023. In response, the government implemented eight support schemes from 2022 to 2024 (see pages 6 to 7 overleaf) to reduce the impact of increased energy bills on domestic and non-domestic customers.

2 The Department for Business, Energy & Industrial Strategy (BEIS) had overall responsibility for the design and early implementation of the schemes for both domestic and non-domestic customers. In February 2023, following machinery of government changes, the newly created Department for Energy Security & Net Zero (DESNZ) took over responsibility for the schemes from BEIS.[1]

3 The schemes all closed for payments by April 2024, and DESNZ has estimated their total cost to be £44 billion. DESNZ is carrying out a reconciliation exercise to settle any outstanding payments. It has also commissioned evaluations covering both the domestic and non-domestic energy support schemes, which it expects to be completed by spring 2025. DESNZ is now developing its approach to protecting consumers against future volatility in energy prices.

Purpose of this report

4 In February 2023, we published *Energy bills support* to provide the basis for early Parliamentary scrutiny of how BEIS designed and implemented the energy bills support and the potential costs.[2] We concluded that BEIS deserved credit for working quickly to introduce the schemes so that most households and businesses received support in time for winter, but that moving at speed meant that BEIS had to accept substantial risks to value for money. For example, some schemes provided almost universal support which could have led to financial support going to households and businesses which did not need it. Rapid implementation also meant BEIS could not complete as detailed an assessment of the potential for fraud and error as would normally be the case.

1 On 7 February 2023 the government announced it had split the Department for Business, Energy & Industrial Strategy (BEIS) into three new departments: the Department for Energy Security & Net Zero (DESNZ); the Department for Business & Trade; and the Department for Science, Innovation & Technology. Responsibility for the energy bills support schemes now sits with DESNZ. We refer to BEIS as being responsible for introducing and implementing these grants up to 7 February 2023 and to DESNZ as being responsible for these schemes from 7 February 2023.

2 Comptroller and Auditor General, *Energy bills support*, Session 2022-23, HC 1025, National Audit Office, February 2023.

Summary of energy bills support schemes, 2022–2024

The government implemented eight schemes for domestic and non-domestic consumers

Domestic schemes

	Total spend	What it provided	Eligibility	How it was distributed
1 Energy Price Guarantee (EPG)	**£23,999 million**	Placed a cap on the price that energy suppliers could charge consumers for each unit of gas and electricity, at **£2,500** from October 2022 to June 2023 (for a typical household); and **£3,000** from July 2023 to March 2024.	All households with a domestic gas and/or electricity contract.	Automatically.
2 Energy Bills Support Scheme (EBSS)	**£11,692 million** in total £11,364 million for GB £328 million for NI	In GB, it provided a **£400** non-repayable discount in six monthly instalments. In NI, the government made a one-off **£600** payment combining both the EBSS and AFP domestic schemes.	All households with a domestic electricity connection in the UK.	Automatically for direct debit, credit and smart pre-payment meters. Through vouchers that needed to be redeemed for traditional pre-payment meters.
3 Alternative Fuel Payment – domestic (AFP domestic)	**£533 million** in total £369 million for GB £164 million for NI	In GB, it provided a one-off payment of **£200.** In NI, the government made a one-off **£600** payment combining both the EBSS and AFP domestic schemes.	Households who use alternative fuels for heating such as heating oil, liquefied petroleum gas, coal and biomass but had a domestic electricity supply contract.	Automatically for direct debit, credit and smart pre-payment meters. Through credit or vouchers that needed to be redeemed for traditional pre-payment meters.
4 Energy Bills Support Scheme Alternative Funding (EBSS AF)	**£61 million**	A one-off payment of **£400** in GB and NI.	Households without a direct relationship to an electricity supplier, such as those living in park homes and care homes.	By application: consumers applied for support through their Local Authority, which checked applicants' eligibility.
5 Alternative Fuel Payment Alternative Fund (AFP AF)	**£18 million**	Provided a one-off payment of **£200.**	Households who use alternative fuels with no direct energy supplier e.g. those living in park homes.	By application: consumers applied for support through their Local Authority, which checked applicants' eligibility.

Non-domestic schemes

	Total spend	What it provided	Eligibility	How it was distributed
6 Energy Bills Relief Scheme (EBRS)	**£7,483 million**	Provided a discount on gas and electricity unit prices, similar to the EPG.	Businesses, voluntary sector organisations and public sector organisations.	Discounts were applied automatically to bills.
7 Energy Bill Discount Scheme (EBDS)	**£241 million**	Provided a discount as a replacement of the EBRS on gas and electricity unit prices.	Businesses, voluntary sector organisations and public sector organisations.	Discounts were applied automatically to bills for the majority of customers. Some, who were eligible, applied for higher levels of support: this included non-domestic users in certain energy- and trade-intensive sectors and approved heat network operators.
8 Alternative Fuel Payment – non-domestic (AFP non-domestic)	**£62 million**	Provided a one-off payment of **£150.**	Non-domestic users of alternative fuels.	Automatically. Some, who were large users of heating oil, could apply for higher levels of support.

Notes

1 The total scheme expenditure represents the total since the schemes' inception, irrespective of financial year. This is because the exercise to calculate the estimates was done on a scheme basis, not a financial year basis.

2 The total scheme expenditure are the totals up until 31 March 2024. They do not include any cash movements that may occur in the 2024-25 financial year for EBDS or EPG; and as the Department for Energy Security & Net Zero is reconciling any outstanding payments to suppliers, these numbers remain as estimates.

3 We have shown the spend in Great Britain (GB) and Northern Ireland (NI) for the schemes that worked differently in GB and NI, except for the EBSS AF scheme. The spend for the EBSS AF scheme in NI is not available, because DESNZ combined the spend for this scheme in NI with the spend for the AFP NI.

Source: National Audit Office summary of documents from the Department for Energy Security & Net Zero

5 Now the schemes have closed for payments, this report builds on our earlier report and draws on our audit of DESNZ's financial statements for 2023-24, which include material relevant to the cost of these schemes and the levels of fraud and error. Specifically, we look at how much the schemes cost; consider the impact of the schemes; and the steps DESNZ is taking to protect consumers against future volatility in energy prices. We have not revisited why the schemes were designed in the way they were, as we set out in our first report that this was largely due to the speed with which BEIS needed to implement them. We intend that this report will help DESNZ to maximise the learning to be drawn from the schemes both in handling future price increases and in its general oversight of the energy market. We have made recommendations aimed at ensuring DESNZ is better prepared for responding to volatile energy prices in the future in a way that maximises value for money.

6 Our audit approach is set out in Appendix One. We reviewed evidence from DESNZ, Ofgem, HM Treasury and stakeholder representative bodies. As the schemes closed for payment recently, DESNZ plans to evaluate and report on the impact of the energy bills support schemes in 2025.[3] As this evaluation is not yet available, we have drawn on datasets and viewpoints from stakeholder representative bodies.

7 This report includes:

- details on energy prices and the energy bills support schemes (Part One);
- the schemes' costs (Part Two);
- how DESNZ is considering the schemes' impacts and learning from the schemes (Part Three); and
- DESNZ's work to develop a response to future energy price volatility (Part Four).

Key findings

8 While the schemes largely provided the support BEIS planned, the schemes' final cost – £44 billion – was much lower than it originally estimated. DESNZ has estimated the final cost of all the domestic and non-domestic schemes, which are now closed for payment, at £44 billion. This is 68% lower than the original estimate of £139 billion and 36% lower than its interim estimate of £69 billion. BEIS made its original estimates when there was considerable uncertainty over the wholesale costs of gas and electricity; future demand for energy in both the domestic and non-domestic sectors; and the impact of weather on demand. In line with good practice, BEIS considered the cost of each scheme as a range, with a central estimate, which allowed it and HM Treasury to manage the risks of the high cost scenarios materialising (paragraphs 2.2 to 2.5; and Figures 3 and 4).

3 Throughout this report we refer to the schemes collectively as 'energy bills support schemes'. We refer to specific schemes by their official name.

9 **DESNZ distributed financial support to most households quickly, but there was low take-up among harder-to-reach groups.** For example, BEIS started to provide financial support to households three weeks after it announced the domestic Energy Price Guarantee (and introduced the non-domestic Energy Bills Relief Scheme in three months). A total of 98.7% of Energy Bills Support Scheme (EBSS) payments were made successfully to expected eligible customers. Some schemes required customers to apply for support. For these schemes, there were some issues around take-up. For example, take-up for the scheme providing support to households which did not have a domestic electricity supply (such as those in care homes and park homes) was around one-fifth of DESNZ's provisional estimate of potentially eligible recipients, lower than it anticipated. DESNZ has completed some work to understand what more it could have done to improve take-up (paragraphs 3.12 to 3.15; and Figures 9 and 10).

10 **DESNZ estimated that just 0.7% of scheme payments, worth £291.8 million, were either claimed fraudulently or paid in error.** Emergency spending introduced at speed can amplify the risks of fraud and error. BEIS recognised this when it introduced both the domestic and non-domestic schemes and took steps to mitigate these risks. For schemes which are universal and which made flat payments DESNZ assessed the risk of fraud and error as being lower than, for example, targeted schemes which are more complex to implement. It involved government expertise from the Public Sector Fraud Authority (PSFA) in their design, while learning lessons from its introduction of financial support during the COVID-19 pandemic. This led to the introduction of scheme specific controls such as automated payments via energy suppliers and pre- and post-payment checks. DESNZ estimated that the level of fraud and error between 2022 and 2024 was £291.8 million, or 0.7% of the scheme expenditure of £44 billion. The PSFA estimated in March 2023 that the level of fraud and error in government spending, excluding taxation and welfare expenditure, ranged from 0.5% to 5%. While precise like-for-like comparisons are not possible because of differences in scheme characteristics, the actual fraud and error rate for the energy bills support schemes was lower than those for payments made for schemes responding to the COVID-19 pandemic. For example, the estimated level of fraud and error for the Bounce Back Loan Scheme was 11%, worth £4.9 billion (paragraphs 2.6 to 2.17; and Figures 5 and 6).

11 While the schemes are now closed for payments, DESNZ is completing an exercise to make sure its payments to suppliers are correct, which it expects to have completed by April 2025. DESNZ is completing scheme-specific reconciliation exercises to make sure that payments it made to suppliers reflect the actual amount of energy consumed across both the domestic and non-domestic sectors. If a supplier has under-estimated a customer's bill in the schemes, for example, and the actual energy usage is higher, it must update the amount of discount owed to the customer and claim this back from DESNZ. DESNZ expects this exercise will reduce the estimated level of error. It will take longer to close the non-domestic schemes because DESNZ is reviewing non-domestic payments on an individual supplier basis, whereas it is reconciling payments for all domestic suppliers at the same time. There are 30 suppliers on the Energy Price Guarantee (EPG) scheme, compared with 101 suppliers on the Energy Bills Relief Scheme (EBRS). At August 2024, a total of 12 out of 101 suppliers have been approved to exit the EBRS, which DESNZ expects to close by April 2025. Energy UK (the trade association for the energy industry) told us it had concerns about the complex process to close the schemes, which the government did not consider from the start, creating some financial risk for suppliers (paragraphs 2.19 to 2.28; and Figure 7).

12 The schemes successfully reduced energy bills and prevented some households going into fuel poverty, but BEIS and then DESNZ had to accept some risks to value for money. DESNZ set out the benefits it expected from implementing the schemes. These included keeping people out of fuel poverty and minimising redundancies and insolvencies; and, across the economy, helping to manage inflation. As DESNZ has not yet completed its evaluation, it is too early to make a comprehensive assessment of the actual impact of these programmes. Stakeholders we have met generally were positive about the schemes and what they achieved. In addition, DESNZ has reported that between 2022 and 2023 the EPG scheme and EBSS prevented around 289,000 households in England from going into fuel poverty. However, DESNZ has also estimated that even after government support the increase in energy prices meant overall around 238,000 more households fell into fuel poverty. BEIS accepted some risks to value for money such as introducing universal schemes which carried deadweight. Some stakeholders have told us, for example, that the schemes could have been more effective if they had targeted support to those who needed it most. DESNZ is covering this issue in its evaluation (paragraphs 1.5, 3.6 to 3.7 and 4.2; and Figure 2).

13 DESNZ is evaluating the impact of the schemes but aspects of this are challenging. In line with good practice, DESNZ is completing a systematic evaluation of the design, implementation and impact of its schemes to protect domestic and non-domestic consumers against significant rises in energy prices. This evaluation should support DESNZ's consideration of future interventions. It expects to have completed this work by spring 2025. Aspects of the evaluation are presenting challenges. For example, the universal nature of some of the schemes, which were crisis responses rather than a business-as-usual response, means it is difficult to identify a 'do-nothing' approach for comparison; isolating the impact on the economy of these interventions is also difficult. DESNZ is responding to some of these challenges. For example, it is planning to collect self-reported impacts for universal schemes (in the absence of a counterfactual); is seeking the views of stakeholders on take-up by harder-to-reach groups; and is looking to model some of the benefits. In addition, DESNZ is considering the inflationary impacts of the schemes and is analysing household spending (including discretionary spending) and firm closures. Understanding the wider economic impact of the schemes would be helpful to help determine the trade-offs between costs and benefits of a universal and of a targeted approach (paragraphs 3.2 to 3.4; and Figure 8).

14 DESNZ's work to inform its future interventions should another energy crisis develop is at an early stage. DESNZ is considering how a range of interventions might help mitigate the risks of future significant increases in energy prices. For example, it is considering whether data matching might help identify low-income households to help target future financial support. But it has only just started work on this approach. DESNZ has recognised that means-testing as a way of targeting support will not necessarily work where, for example, an individual is self-employed and might not have a current record of their income. DESNZ is also at the early stages of considering whether existing schemes such as the Warm Home Discount, and any new schemes might be needed if there were increases in energy prices in the future. Data matching might also help to target support in the light of increasing consumer debt. The latest Ofgem statistics from June 2024 show the total owed by domestic consumers for both electricity and gas was over £3.7 billion compared with £1.8 billion at the end of 2021 (paragraphs 4.3 to 4.7).

15 DESNZ could do more to demonstrate to stakeholders how its improved understanding of the non-domestic sector is influencing its design of future policy. The government's understanding of the non-domestic sector was poor at the time of the interventions, leading it initially to provide identical support for all businesses despite vast differences in energy consumption and capacity to engage with energy suppliers. Some stakeholders have told us, for example, that small businesses are more like domestic consumers in that they do not have capacity to plan and negotiate energy tariffs in a way that would be more likely in a large business. DESNZ considers that its understanding of the non-domestic sector has improved as a consequence of implementing the schemes. This includes it having a better understanding of the lack of uniformity in the non-domestic sector, which it is looking to use to influence its development of policy in this area. DESNZ also told us that it was using analysis of the data it had collected on the non-domestic sector to inform the expansion of the Energy Ombudsman remit to small businesses (paragraphs 4.8 to 4.11).

16 Reducing the impact on consumers of future rises in energy prices will, in part, be dependent on DESNZ's work on broad system reform which will take some time to have an effect. To achieve this, DESNZ is looking at measures including promoting energy efficiency and developing the market for renewable energy, as part of a move away from a reliance on gas. It has programmes to decarbonise home heating and power – intended to build in energy security, which could lead to more stable gas prices for domestic consumers. Alongside these interventions, DESNZ is consulting on the future regulation of the energy market, although there is uncertainty around next steps with this exercise (paragraphs 4.12 to 4.14).

Conclusion on value for money

17 BEIS's and DESNZ's energy bills support, introduced during 2022 and 2023 at an estimated cost of £44 billion, was undoubtedly successful at protecting the vast majority of consumers from the extremes of energy price increases. The financial support was distributed with comparatively low levels of fraud and error, for which the government deserves credit. To achieve this, BEIS accepted some substantial risks to value for money, in part because some of the schemes were universal in nature and therefore support may have gone to consumers who did not need it. DESNZ's evaluation will be important for understanding whether this was offset by the overall economic impact of the schemes. DESNZ must also ensure it draws lessons from the challenges it faced in ensuring harder-to-reach consumers received the support for which they were eligible.

18 The government is taking actions to ensure the market is more resilient to volatile price fluctuations, such as investing in renewable energy generation and reducing dependence on imported gas, but these measures will take several years to take effect. In the meantime, DESNZ needs to be prepared for further interventions in cases of price spikes and consider how these can be provided in a way that maximises value for money. DESNZ is considering how it might provide financial support to consumers should energy prices rise significantly as well as looking at making the energy market more resilient. But this work is at an early stage of development and it is not clear how DESNZ will respond in practice. It also risks losing the opportunity of improving oversight and policy making in the non-domestic energy sector if it does not capture and utilise the learning it gained from its interventions to support businesses during the crisis.

Recommendations

19 While the schemes the government introduced in 2022 and 2023 are now closed for payment, there are steps that DESNZ can take to inform the development of future interventions to support consumers should it wish to if there is another rise in energy prices. DESNZ should develop a plan for implementing these recommendations by the end of 2024.

a DESNZ should consider how it might use its understanding of the uncertainty around, for example, wholesale energy prices and changes in demand to improve its assessment of the costs of future interventions.

b Based on a consideration of the likelihood and size of energy price fluctuations in the future, DESNZ should identify what interventions might be necessary across a reasonable set of scenarios to mitigate the impact of these fluctuations.

c DESNZ should review its approach to preventing fraud and error on the schemes to identify good practice and any areas for improvement to share with other parts of government.

d DESNZ should use the insights it has gained through implementing the non-domestic energy schemes and ensure that these are incorporated into future policy design.

e DESNZ should work with Ofgem to consider what impact the increasing levels of consumer debt could have on the resilience of the energy market to price spikes and what actions should be taken to reduce debt levels over time.

Part One

The energy bills support schemes

1.1 This part of the report:

- provides background on increasing energy prices since 2021; and
- describes the schemes the government introduced to protect consumers from the price increases.

Energy price increases

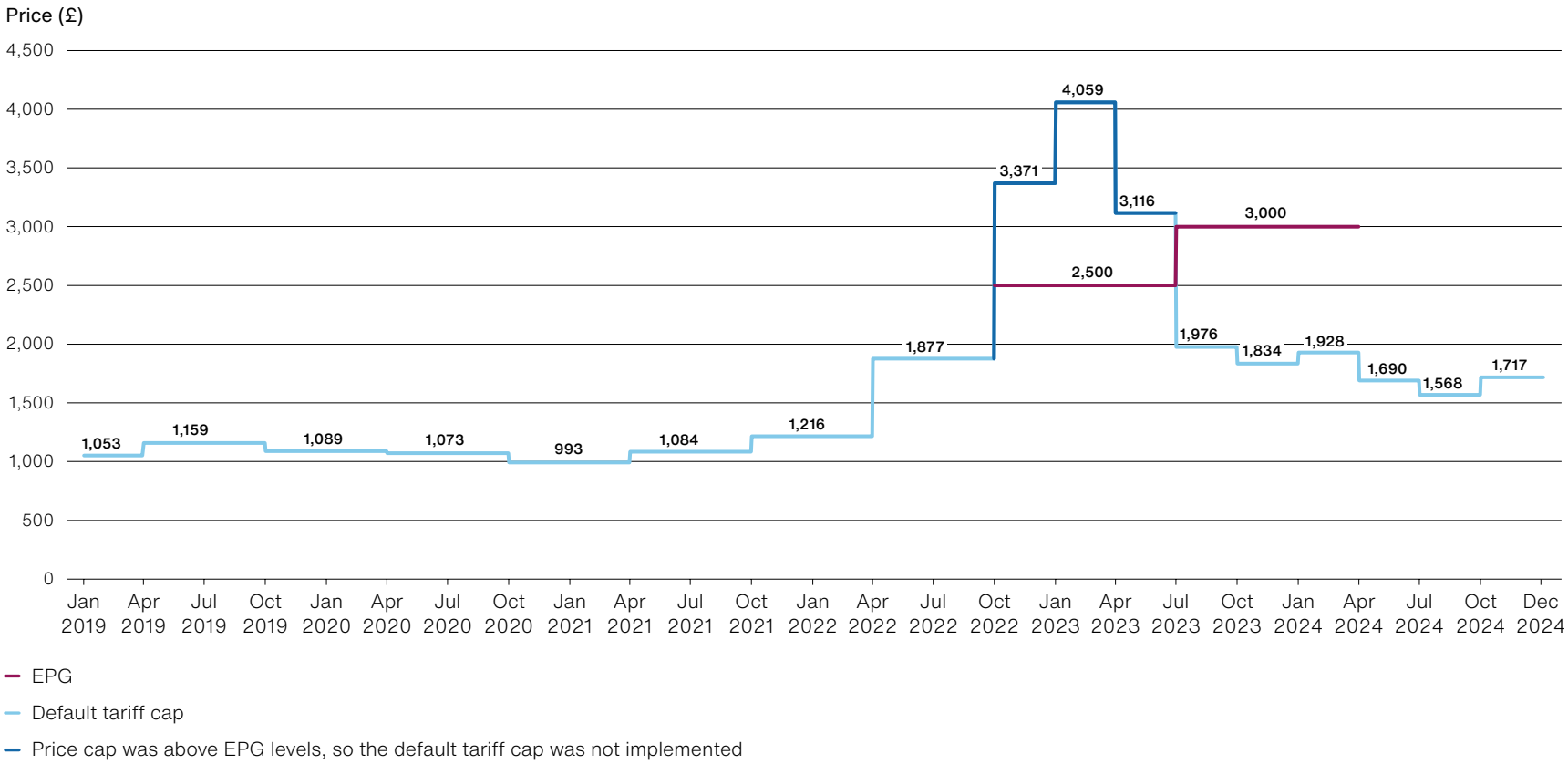
1.2 Energy bills increased considerably in the UK and Europe from the second half of 2021, as economies re-opened after COVID-19 related lockdowns and Russia's invasion of Ukraine started to have an impact on energy markets. Every three months, Ofgem (the energy sector regulator) sets a price cap on the price per unit of gas and electricity that suppliers can charge customers on standard default tariffs, based on typical household energy use. This is intended to ensure prices are fair and that they reflect the cost of energy.

1.3 Between winter 2021-22 and April 2022, Ofgem increased the price cap by 54%. In August 2022, Ofgem announced the level of the cap for October to December 2022 would equate to £3,371 for the average annual household bill, an 80% increase. The cap peaked during 2023 at £4,059, then prices fell to £1,834 for October to December 2023 and £1,568 for July to September 2024. The price cap limited the average annual household bill to £1,717 for October to December 2024, which is higher than pre-energy crisis levels and a 10% rise (an additional £149) in the latest energy price cap (**Figure 1**).

Figure 1

Ofgem's energy price cap, January 2019 to December 2024

Between winter 2021-22 and April 2022 the price cap increased by 54%. In the first three months of 2023, the price cap would have increased to £4,059 but the Energy Price Guarantee (EPG) scheme limited this rise



Notes

1 The default tariff cap is the maximum amount energy suppliers can charge a person on a standard variable tariff for each unit of energy.

2 The default tariff cap shown includes Value Added Tax (VAT).

3 The EPG scheme placed a cap on the price that energy suppliers could charge consumers for each unit of gas and electricity.

4 Prices are rounded to the nearest whole number.

5 The default tariff caps shown are the prices for a dual fuel customer, adjusted for typical consumption levels.

6 The navy blue "Price cap" shown in the key represents the default tariff cap during periods where it was higher than the EPG, and so the default tariff cap was not implemented as a result.

Source: National Audit Office analysis of publicly available documentation

The energy bills support schemes

1.4 The government implemented eight support schemes to reduce the impact of energy bill increases on both the domestic and non-domestic sectors during the winter of 2022-23. The main schemes were the Energy Price Guarantee (EPG), which capped the average domestic bill at £2,500 from October 2022 to June 2023 (for a typical household) and £3,000 from July 2023 to March 2024, and the Energy Bills Relief Scheme (EBRS) which provided equivalent support for the non-domestic sector. These schemes were supplemented by other interventions to provide financial support to households which, for example, used alternative fuels such as oil. Pages 6 to 7 of this report set out more details on these schemes. All the schemes were closed for payment by April 2024.

1.5 The schemes' primary objectives were to reduce or avoid under-consumption of energy and its associated negative impacts. The Department for Business, Energy & Industrial Strategy (BEIS) set out the benefits it expected from the domestic and non-domestic schemes. This included keeping people out of fuel poverty; minimising redundancies and insolvencies; and managing inflation (**Figure 2**).

1.6 BEIS had overall responsibility for the design and early implementation of the schemes for both domestic and non-domestic consumers. In February 2023, the newly created Department for Energy Security & Net Zero (DESNZ) took over responsibility for the schemes from BEIS. HM Treasury also supported BEIS in designing the schemes and approved the budget. In 2022, HM Treasury launched a joint scheme with the Bank of England to support energy firms facing short-term liquidity challenges. The energy regulator for Great Britain, Ofgem, was responsible for monitoring supplier compliance with the obligations of the EPG scheme and the Energy Bills Support Scheme. This included ensuring that bills were reduced to specified levels alongside assessing the need for, and taking, enforcement action where required across schemes. Ofgem's counterpart in Northern Ireland, Utility Regulator Northern Ireland (UREGNI), worked with the UK government and local energy suppliers to help deliver the energy support schemes in Northern Ireland.

Figure 2

Summary of the energy bills support schemes' objectives

The primary objectives of the schemes were to reduce or avoid under-consumption of energy and its associated negative impacts

Objectives	Domestic schemes					Non-domestic schemes		
	Energy Price Guarantee	Energy Bills Support Scheme (EBSS) Great Britain (GB) and Northern Ireland (NI)	EBSS Alternative Funding	Alternative Fuel Payment GB – domestic	Alternative Fuel Payment Alternative Fund	Energy Bills Relief Scheme	Energy Bill Discount Scheme	Alternative Fuel Payment – non-domestic
Financial support to consumers	✔	✔	✔	✔	✔	✔	✔	✔
Avoid fuel poverty and reduce consumer self-disconnection/ under-consumption	✔	✔	✔	✔	✔			
Reduce inflationary pressure	✔					✔	✔	
Support economic growth		✔				✔	✔	✔
Minimise redundancies and insolvencies						✔	✔	✔
Support supplier market stability	✔					✔	✔	

Source: National Audit Office review of Department for Energy Security & Net Zero's documentation

Part Two

Costs of the energy bills support schemes

2.1 This part of the report:

- sets out the government's estimated final cost of the schemes, and compares it with its estimate of the cost when it implemented the schemes;
- sets out the Department for Energy Security & Net Zero's (DESNZ's) approach to detecting and preventing fraud; and
- outlines how DESNZ is closing the schemes.

The cost of the schemes

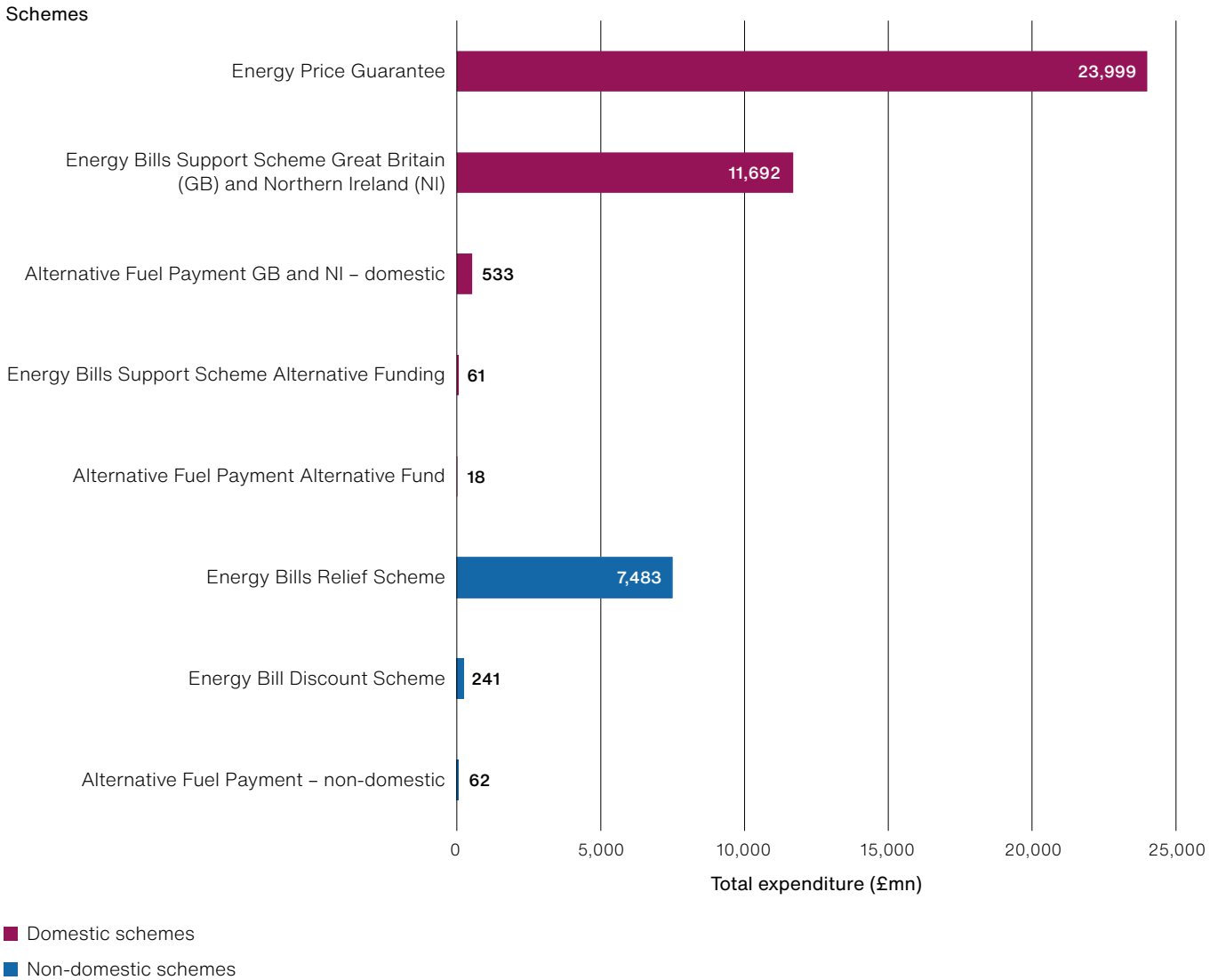
Final value of scheme payments

2.2 At March 2024, DESNZ's estimate of the cost of the domestic and non-domestic schemes was £44 billion between 2022 and 2024. Of this, payments for the domestic and non-domestic schemes totalled an estimated £36 billion (82% of total spend) and £8 billion (18% of total spend) respectively. The largest scheme, the Energy Price Guarantee (EPG), accounted for 54% of total spend (**Figure 3**). This may change following the completion of DESNZ's ongoing exercise to reconcile outstanding payments to suppliers.

Figure 3

Department for Energy Security & Net Zero (DESNZ) payments for energy bills support schemes, 2022 to 2024

DESNZ made over 80% of energy bill support payments to domestic consumers



Notes

1 The total scheme expenditure represents the total since the scheme's inception, irrespective of financial year. This is because the exercise to calculate the estimates was done on a scheme basis, not a financial year basis.

2 The total scheme expenditure is until 31 March 2024. They do not include any cash movements that may occur in the 2024-25 financial year for the Energy Bill Discount Scheme or the Energy Price Guarantee and as DESNZ is reconciling any outstanding payments to suppliers, these numbers remain as estimates.

Source: National Audit Office analysis of the Department for Energy Security & Net Zero's data

Estimated costs

2.3 When the Department for Business, Energy & Industrial Strategy (BEIS) launched the schemes, it used a range of estimates of their potential cost given the level of uncertainty over energy supply and demand.[4] There was considerable uncertainty over the wholesale costs of electricity and gas, how much energy people and businesses consume, and the prevailing temperatures, which would impact energy demand. BEIS therefore presented forecast costs as central estimates and ranges for each scheme, in line with best practice. The ranges were large because of the considerable uncertainty over how long high wholesale energy prices would remain and the lack of historic evidence on an energy price shock. BEIS estimated, for example, over winter 2022-23 that the EPG would cost between £16 billion and £304 billion over two years (central estimate £97 billion) and that the Energy Bills Relief Scheme (EBRS) would cost between £20 billion and £44 billion (central estimate £29 billion).

2.4 BEIS presented a range of costs for each scheme to help its decision-makers and those at HM Treasury to take a view on the worst-case scenario to consider the potential costs. HM Treasury placed a considerable emphasis on the high estimate to help ensure that the schemes would remain affordable even if the central assumptions did not hold true.

2.5 The final cost of energy bills support at £44 billion was much lower than BEIS's central estimate at the schemes' outset. BEIS's central estimate was that the schemes would cost £139 billion at the business case stage in August 2022. It reduced its central estimate to £69 billion in February 2023 (**Figure 4**). The actual cost of energy support schemes was lower in part because wholesale energy prices were lower than BEIS expected and a warmer-than-average winter. DESNZ told us that its wholesale energy price scenarios for 2023 and early 2024, which it used for its estimates, were more than 10 times higher than the actual prices. DESNZ also said that it was difficult to estimate accurately the number of units of energy that consumers would demand between 2022 and 2024.

Fraud and error

2.6 In July 2024, DESNZ estimated that a total of 0.7% of payments through the schemes, worth £291.8 million, were due to fraud or error.[5] [6] By comparison, the Public Sector Fraud Authority (PSFA) estimated in March 2023 that the level of fraud and error in government spending excluding taxation and welfare expenditure ranged from 0.5% to 5%.

4 The Department for Business, Energy & Industrial Strategy (BEIS) had overall responsibility for the design and early implementation of the schemes for both non-domestic and domestic consumers. In February 2023, the newly created Department for Energy Security & Net Zero (DESNZ) took over responsibility for the schemes from BEIS.

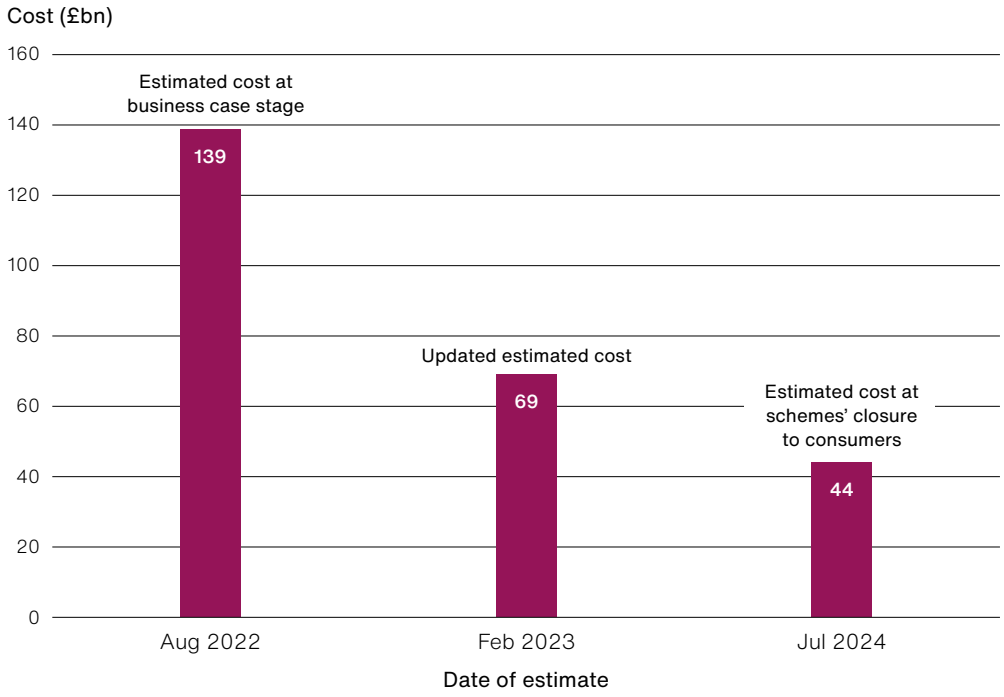
5 DESNZ's estimate is within a 95% statistical confidence interval. This means that it can state with 95% confidence that the estimated fraud and error occurrence is between 0.5% and 1.0%, with 0.7% as its best estimate.

6 We have audited DESNZ's estimates of fraud and error for the schemes as part of our audit of the 2023-24 DESNZ annual report and accounts. From this we obtained assurance that these estimates are materially accurate, with materiality set at £112 million.

Figure 4

Initial estimates versus actual estimated cost at schemes closure

The estimated cost of £44 billion at the closure of energy bills support schemes was a 68% decrease of the original estimated number, in part due to uncertainty over energy costs and demand



Notes

1 These figures have been rounded to the nearest billion.

2 The total estimated cost at the closure of the energy bills support schemes to consumers does not include any cash movements that may occur in the 2024-25 financial year for the Energy Bill Discount Scheme or Energy Price Guarantee and as the Department for Energy Security & Net Zero is reconciling any outstanding payments to suppliers, these numbers remain as estimates.

3 The total estimated cost at the closure of the energy bills support schemes to consumers represents the total since the schemes' inception, irrespective of financial year. This is because the exercise to calculate the estimates was done on a scheme basis, not a financial year basis.

4 Estimated costs do not include administrative costs.

Source: National Audit Office analysis of the Department for Energy Security & Net Zero's data

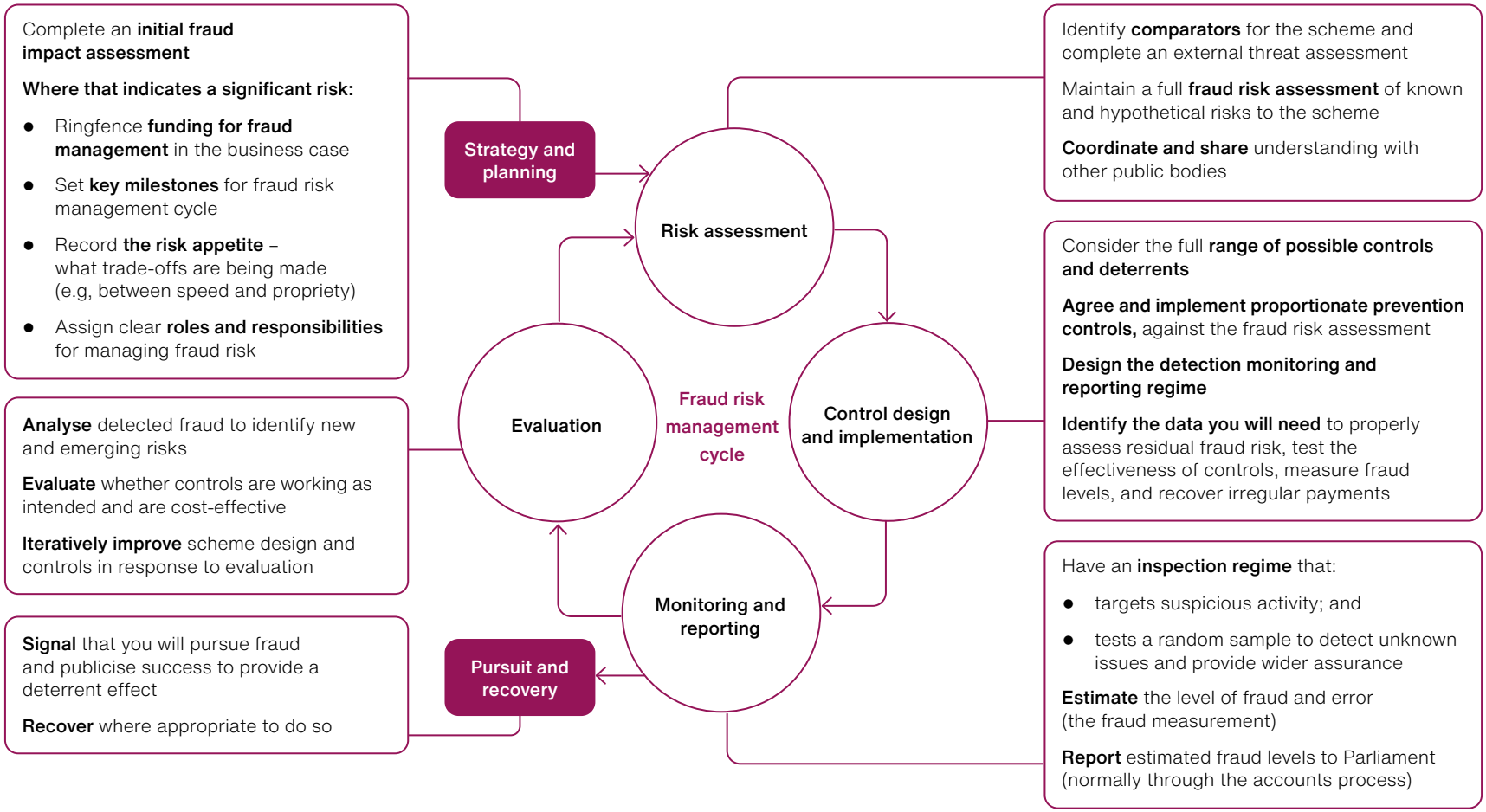
2.7 We have considered DESNZ's management of the risk of fraud and error against the stages of the management cycle set out in our lessons learned report on tackling fraud and protecting propriety in government spending during an emergency (**Figure 5** overleaf).[7]

7 National Audit Office, *Good practice guidance: Fraud and Error*, March 2021.

Figure 5

The fraud risk management cycle for detecting and preventing fraud and error in public spending

Departments should take a cyclical approach to managing fraud over the lifetime of a scheme



Note

1 We have seen fraud risk management cycles used across government. These are consistent in setting out the need for risk assessment, design of mitigating controls, monitoring and evaluation. There is also some international acceptance that the fraud risk management cycle represents good practice in the prevention, detection and recovery of fraudulent payments.

Source: National Audit Office, *Lessons learned: tackling fraud and protecting propriety in government spending during an emergency*, see Figure 4, February 2024

Assessing fraud and error risks

2.8 DESNZ assessed fraud risks at the outset of the majority of its schemes in line with our fraud risk management cycle, although some of its assessments were incomplete. The PSFA found in its 2023 review of the energy bills support schemes that it had received a fraud risk assessment for every scheme in line with good practice, except for the non-domestic Alternative Fuel Payment scheme. However, DESNZ told us it had conducted a fraud risk assessment for that scheme. These assessments identified risks such as suppliers manipulating the volume of energy supplied to consumers and making fraudulent claims for energy that consumers do not use. The PSFA's review found several risk assessments were out of date and/or incomplete, with considerable variance in how they are used and maintained.

2.9 In our earlier report on energy bills support schemes we reported that their rapid implementation meant BEIS's assessment of the potential for fraud and error was not as detailed as would normally be the case given the size of expenditure.

Control design and implementation

2.10 BEIS designed its schemes in response to the fraud and error risks it identified. A dedicated internal fraud team in BEIS and external fraud expertise developed mitigations and controls for the schemes intended to minimise losses to the taxpayer. BEIS also drew on expertise from the PSFA, with individuals from the PSFA joining a multi-disciplinary team in BEIS in September 2022.

Schemes where consumers were paid automatically

2.11 The schemes with the three largest estimated amounts of fraud and error were the main domestic and non-domestic schemes for which consumers, on the whole, received payments automatically through their energy supplier. These were, by descending order, the EPG, the EBRS and the Energy Bills Support Scheme (EBSS) (**Figure 6** overleaf).[8] This is in line with BEIS's initial assessment at the start of the schemes that the risk of fraud and error for both the EPG and the EBRS was high given, for example, the untested nature of the schemes and amount of money involved. BEIS also concluded that the impact would be high given the size of the schemes.

2.12 DESNZ introduced scheme specific controls to mitigate the risks of fraud and error. For the EBSS, for example, most eligible households received a discount automatically through their energy supplier - an approach which drew on lessons that BEIS had learnt from application-based support schemes, such as the Bounce Back Loan Scheme. This avoided a risk of fraudsters using false identities to apply, although it relied on having sufficient data on who to make payments to.

8 Based on DESNZ's best estimates, rather than the lower or upper bounds of its estimate.

Figure 6

Department for Energy Security & Net Zero (DESNZ) estimates of fraud and error in the energy bills support schemes, 2022–2024

Across the schemes, DESNZ has estimated that the levels of fraud and error range from 0.94% of the schemes' expenditure to 0%

Scheme	Total spend	DESNZ's estimated value of irregular payments	DESNZ's estimated percentage of irregular payments
	(£mn)	(£mn)	(% of spend)
Domestic			
Energy Price Guarantee	23,999	224.9 [sample size – 0.02% of total population]	0.94
Energy Bills Support Scheme (EBSS) Great Britain (GB)	11,364	7.2 [sample size – 0.03% of total population]	0.06
EBSS Northern Ireland (NI) & Alternative Fuel Payment NI	492	0.9 [sample size – 0.12% of total population]	0.19
Alternative Fuel Payment (AFP) GB – domestic	369	0 [sample size – 0.07% of total population]	0
EBSS Alternative Funding	61	0.4 [sample size – 0.7% of total population]	0.63
AFP Alternative Fund	18	0 [sample size – 0.2% of total population]	0
Non-domestic			
Energy Bills Relief Scheme	7,483	58.4 [sample size – 0.03% of total population]	0.78
Alternative Fuel Payment – non-domestic	62	0 [sample size – 0.1% of total population]	0

Notes

1 DESNZ's estimate of irregular payments for each scheme are within a 95% statistical confidence interval. This means it can state with 95% confidence the estimated fraud and error occurrence.

2 We have audited DESNZ's estimates of fraud and error for the schemes as part of our audit of the 2023-24 DESNZ annual report and accounts. From this we obtained assurance that these estimates are materially accurate, with materiality set at £112 million.

3 The Energy Bill Discount Scheme is not included in this figure because this scheme was set up in April 2023 and closed in March 2024, so testing of irregular payments will feature as part of the annual report and accounts for 2024-25.

4 The total scheme expenditure is until 31 March 2024. It does not include any cash movements that may occur in the 2024-25 financial year. As DESNZ is currently reconciling outstanding payments, these numbers remain as estimates.

5 DESNZ defines an irregular payment in the energy bill support schemes as any overpayment according to scheme regulations and rules – its value is the difference between the correct discount and the amount of discount actually delivered to the end user.

6 The figure shows the size of the sample of payments (%) that DESNZ used to estimate irregular payments.

7 We have presented the schemes in this figure differently to Figure 3, as DESNZ combined the EBSS NI and AFP NI schemes to test for irregular payments, whereas the spend for these two schemes are shown separately in Figure 3.

Source: National Audit Office analysis of Department for Energy Security & Net Zero's data

2.13 The non-domestic EBRS had a lower rate of fraud and error (0.78% of irregular payments, worth £58.4 million) than the domestic EPG (0.94%, £224.9 million). This contrasts with BEIS's initial assessment for the EBRS scheme that the risk of fraud and error was greater than for the domestic schemes, due to the complexity of the energy market for the non-domestic sector. Energy usage and intensity, for example, vary significantly more between industries than households.

Schemes where consumers had to apply for a payment

2.14 For schemes where customers had to apply for a payment, BEIS introduced pre- and post-payment checks to help mitigate against errors in supplier submissions. For schemes such as the Energy Bills Support Scheme Alternative Funding (EBSS AF), DESNZ performed various automated checks to test the validity of various components of the claim before making the payment. As part of some pre-payment checks, DESNZ introduced verification of an applicant's identity for the EBSS AF scheme, following a recommendation from the PSFA, as the scheme included an application process which introduced new risks not faced by the automated schemes.

2.15 DESNZ's estimate of the rates of fraud and error were lower than it expected on the schemes that required consumers to apply for support, although there are weaknesses in its testing approach. This included the EBSS AF; the Alternative Fuel Payment Alternative Fund (AFP AF) and the top-up element of the Alternative Fuel Payment non-domestic scheme.[9] In June 2023, DESNZ estimated the rate of fraud and error in the EBSS AF and AFP AF at 3% (£1.8 million for EBSS AF and £0.5 million for AFP AF) based on similar checks in other business grant schemes. For the EBSS AF and AFP AF, DESNZ has re-performed pre-payment checks by local authorities on a representative sample of claims against existing records. These tests have indicated low or no fraud and error in these schemes (Figure 6). However, as this testing only re-performed pre-payment checks it would not have picked up whether these checks were effective or if there were instances of fraud and error that were able to get past the controls in place.[10]

2.16 DESNZ told us that the estimated value of fraud and error in these schemes was lower than it anticipated, partly because of the lower number of customers eligible for the schemes, with a relatively low level of take-up as the application process was online; and that the one-off flat payments through energy providers and local authorities were simpler to administer. In February 2024, a DESNZ review of the AFP AF and the AFP domestic scheme concluded that controls that were built into the application process of the AFP AF scheme prevented over 16,000 ineligible applications, worth £3.3 million, reaching the payment stage. It also concluded that controls in the AFP domestic scheme, where DESNZ required suppliers to conduct additional checks on a list of eligible meters, prevented £17.7 million of inaccurate payments.

9 This provided support additional to the flat £150 payment of £750 to £5,800 (with further payment for the highest users) for businesses that are larger users of heating oil (over 10,000 litres per year).

10 DESNZ has not tested for fraud and error in the top-up part of the AFP non-domestic scheme, as it had a relatively low value of spend of £1.2 million.

2.17 The rates of fraud and error on the energy bills support schemes were substantially lower than on support provided in response to the COVID-19 pandemic.

- The Coronavirus Job Retention Scheme, which provided financial support to businesses, had (as at 31 March 2021) a total estimated level of fraud and error ranging from 7% to 12%, equal to £4.1 billion to £7.3 billion, with its most likely estimate at 8.7%, equal to £5.3 billion.[11]
- For the Bounce Back Loan Scheme, an estimated 11% of loans worth £4.9 billion, were fraudulent; although this scheme was not universal in nature and allowed applicants to self-certify their application documents.

Understanding the main sources of irregular payments

2.18 DESNZ has taken steps to identify why some payments were irregular due to either fraud or error. It has concluded that most of the irregularity in the domestic schemes related to errors by suppliers, rather than instances of fraud. This includes, for example, errors in the way meters are classified (between domestic and non-domestic customers) and recording duplicate meters. In the main non-domestic scheme, the EBRS, some errors related to suppliers making an overpayment to a customer and then claiming this amount, because incorrect price data were used to calculate the discount. DESNZ told us these errors arose because of the speed at which the schemes had to be implemented. Suppliers and local authorities faced new challenges, including the short notice to calculate and implement discounts and bill customers differently to existing processes and systems. These sources of error are in contrast to BEIS's initial recognition, at the scheme design, of the potential causes of fraud and error such as suppliers manipulating the volume of energy supplied to consumers and making fraudulent claims for energy that consumers do not use. BEIS identified phishing as a potential risk when implementing the schemes. It took steps to mitigate this risk, such as organising communication campaigns to help consumers understand they did not need to apply as they would receive their payments automatically. DESNZ has not analysed the prevalence of third parties using phishing scams to obtain customers' bank details or other personal details to use for fraudulent purposes.

Finalising scheme payments

2.19 To close the schemes, DESNZ is completing a reconciliation exercise to make sure that the payments it made to suppliers reflect the actual amount of energy consumed across the domestic and non-domestic sectors. If a supplier has underestimated a customer's bill in the schemes, for example, and the actual energy usage is higher, it must update the amount of discount owed to the customer and claim this back from DESNZ. DESNZ expects this exercise will reduce the estimated level of error in the schemes at a later point in time.

11 HM Revenue & Customs, *Annual Reports and Accounts, 2020-21*, Report by the Comptroller and Auditor General, 4 November 2021, see Figure 17.

2.20 The process for making sure suppliers receive the correct payment differs between schemes based on a flat payment and those based on the volume of consumption. All of the domestic schemes – except for the EPG – used a flat payment (for example, a £400 non-refundable payment for the EBSS). DESNZ has completed the reconciliation for these flat payment schemes. In contrast, payments under the EPG and the main non-domestic schemes (EBRS and EBDS) were based on the volume of energy consumed. (**Figure 7** overleaf) illustrates the approach to the reconciliation exercise using the EBSS as an example.

Domestic schemes

2.21 DESNZ based the EPG on energy consumption information from the industry balancing and settlement system to provide reliable estimates so that suppliers could receive payments quickly, to support supplier stability. Suppliers subsequently returned monies for any customers who were eligible for a partial or no discount, such as those on a fixed energy tariff. DESNZ is reviewing final payments based on the volume of energy consumed at each eligible meter on each day of the scheme.

2.22 The reconciliation process has been reviewed by organisations outside DESNZ:

- In March 2024, an independent review noted that the reconciliation process for the EPG was "novel" and "unproven", with "nervousness" among suppliers about the reconciliation process never having been done before. Some suppliers commented, for example, about a need for greater consultation on the EPG reconciliation, adding that they may not be able to recover all payments made through the reconciliation process.
- In April 2024, the Government Internal Audit Agency recommended that, as the EPG scheme moved towards closure, DESNZ should record the total amounts owed by and to DESNZ to support further prioritisation of non-compliance cases.

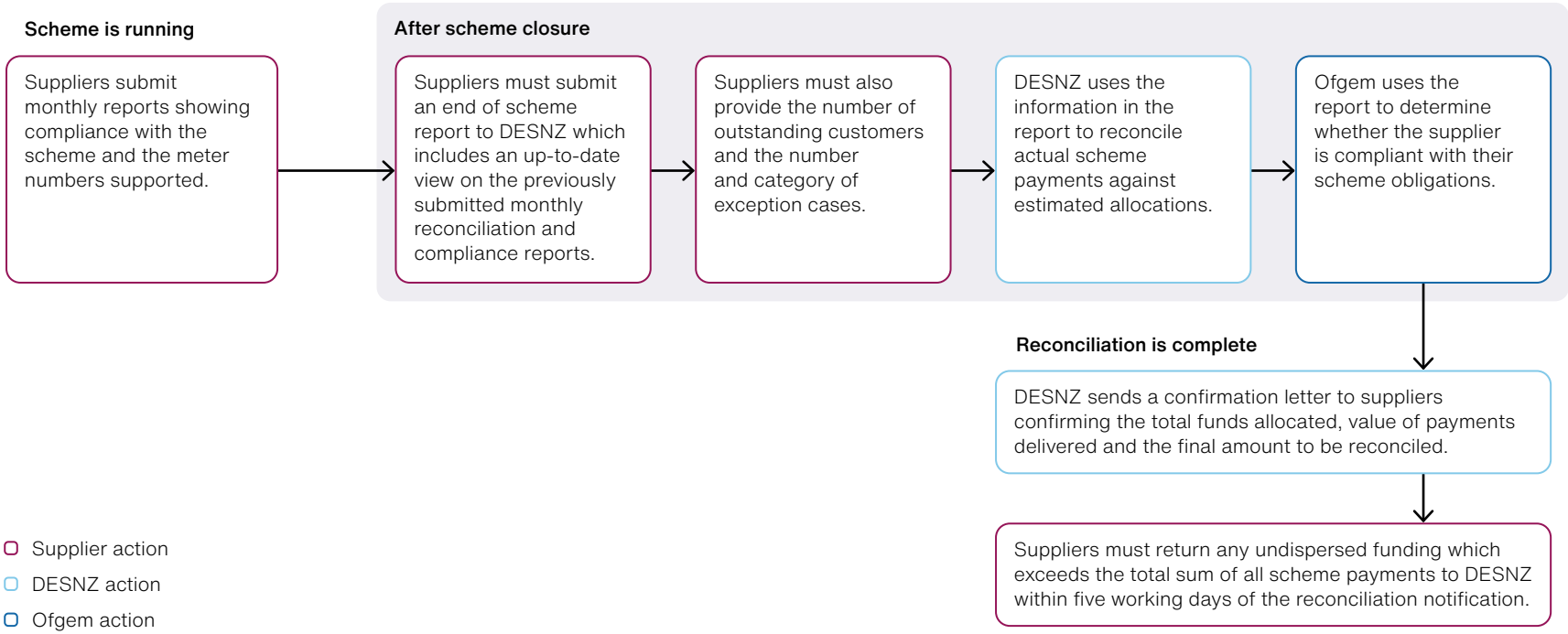
2.23 DESNZ told us that it had run a test process for the EPG scheme with two suppliers using daily consumption data. DESNZ has tested the process with nine months of consumption data to give suppliers an opportunity to say whether they agree with the outcome. However, Energy UK, the trade association for the energy industry, told us that it had doubts remaining about the level of visibility that suppliers will have over relevant data in order to validate and challenge calculations in determining EPG scheme entitlements.

2.24 DESNZ expects to complete the reconciliation of the EPG scheme at the end of 2024. DESNZ considers that it will take 14 months to reconcile payments in the EPG scheme. This 14-month period is part of the energy industry's 'Balancing Settlement Code' to allow time for suppliers to collect more meter readings and generate new consumption data to recalculate discounts. DESNZ is collecting final consumption data and is looking to calculate the discounts and settle payments by the end of 2024.

Figure 7

The process for reconciling payment claims from energy suppliers – Energy Bills Support Scheme (EBSS)

The Department for Energy Security & Net Zero (DESNZ) is reviewing payment claims for any errors, which it will then work with Ofgem to recover using its compliance functions



Notes

1 This figure is based on the information provided in the guidance for the EBSS. It aims to represent the reconciliation process, and so may vary depending on the individual scheme.

2 'Outstanding customers' refers to those customers who, for various reasons, have not received their payment under the EBSS.

3 'Exception cases' are instances where, despite reasonable attempts to deliver the payment, the supplier is unable to provide the payment to an eligible customer.

Source: National Audit Office summary of publicly available documentation

Non-domestic schemes

2.25 DESNZ collected detailed meter level information from non-domestic suppliers to support their payment claims, which it scrutinised through pre- and post-payment checks for errors and sums of money to be recovered. DESNZ required suppliers to provide detailed reconciliations to underpin their payment claims, including meter data; tariff information; and data on businesses, for example, size of the organisation, turnover, and meter addresses. DESNZ compared energy usage against datasets on industry volume used to check that it is within a normal range. DESNZ has appointed specialist accountancy providers to assess these data for outliers and inconsistencies that could indicate erroneous claims, which it will then work with Ofgem to recover sums paid to suppliers erroneously using its compliance functions.

2.26 DESNZ expects to close the main non-domestic scheme (EBRS) by April 2025. DESNZ is reviewing non-domestic payments on a supplier-by-supplier basis. There are 101 suppliers for the EBRS, compared with 30 suppliers for the domestic market. As at August 2024, DESNZ has approved a total of 12 out of 101 suppliers to exit the EBRS.

2.27 DESNZ told us it had minor concerns about the status of reconciling payments for most suppliers on the EBRS. An independent review of the EBRS in March 2023, however, commented that there was a "very long tail" in reconciling billing due to the use of estimated meter readings, with obscurity over how to "truncate" the process over time. Energy UK told us that the process of understanding how the EBRS and EBDS schemes can be closed has been "complex", as the government did not consider this from the start, creating some financial risk for suppliers. DESNZ told us that the main concern among non-domestic suppliers was an exposure to consumers claiming discounts years later, which DESNZ viewed as low risk and was seeking to address through amending relevant legislation.

2.28 DESNZ identified future resourcing as the top risk to closing the EBRS, which it suggested could result in suppliers leaving the schemes without completion of the necessary due diligence checks. In response, DESNZ has reviewed its timelines to bring forward scheme closure and its resourcing arrangements to make sure scheme closure has the necessary level of oversight.

Part Three

Learning from the schemes

3.1 This part of the report:

- sets out the Department for Energy Security & Net Zero's (DESNZ's) approach to evaluating the schemes;
- highlights some impacts the schemes may have had; and
- sets out the schemes' take-up rates.

Evaluating the schemes

3.2 Evaluation is a systematic assessment of the design, implementation and outcomes of an intervention. It is important for learning which interventions work best and how to improve their design and delivery in future, and to support accountability for and inform decisions.

3.3 DESNZ is conducting extensive evaluations of all the energy support schemes, covering issues such as scheme management, the extent to which the schemes achieved their objectives, and their economic impact.[12] It has commissioned contractors to complete four evaluations (**Figure 8**). DESNZ expected the interim evaluations of the domestic schemes to be completed by August 2024. But primary data collection was delayed because of the General Election which also affected the non-domestic schemes' evaluation. DESNZ is aiming to have the main conclusions from the evaluations by spring 2025.

12 The evaluations cover an extensive range of data sources, analysis and research including large scale, nationally representative longitudinal surveys with around 20,000 households; qualitative interviews with households, non-domestic organisations and other stakeholders; secondary data analysis of scheme monitoring data, including on energy tariff and consumption, energy debt and arrears, household finance, insolvencies and health and welfare; and impact analysis to support the economic evaluations including estimating the inflation impacts of the domestic and non-domestic energy support schemes.

Figure 8
Evaluation plans for the energy bills support schemes

The Department for Energy Security & Net Zero expects the main evaluation conclusions by spring 2025

Evaluation scope	Timings and progress
Interim evaluation of Great Britain (GB) domestic schemes: covering process, outcome, and early impact evaluations.	Evaluation commenced in April 2023. Final report is expected in October 2024, delayed from August 2024 because of the pre-General Election period. To publish in due course.
Interim evaluation of Northern Ireland (NI) domestic schemes: covering process, outcome, and early impact evaluations.	Evaluation commenced in June 2023. Final report is expected in October 2024, delayed from August 2024 because of the pre-General Election period and an extended survey cut-off because of an initially slow response rate. To publish in due course.
UK domestic energy affordability schemes: impact and economic evaluation.	Contractor appointed and work commenced in July 2024. Expected to conclude in spring 2025.
UK non-domestic energy affordability schemes: process, impact, and economic evaluation.	Process and early impact evaluation commenced in June 2023. Economic evaluation started in May 2024 and paused during the pre-General Election period. Main conclusions are expected in spring 2025.

Notes

1 Domestic energy bills support schemes include:
- Energy Bills Support Scheme (EBSS) Great Britain (GB) and Northern Ireland (NI);
- Alternative Fuel Payment (AFP) GB and NI – domestic;
- Alternative Fuel Payment Alternative Fund;
- EBSS Alternative Funding GB and NI; and
- Energy Price Guarantee.

2 Non-domestic energy bills support schemes include:
- Energy Bills Relief Scheme;
- Energy Bill Discount Scheme; and
- Alternative Fuel Payment – non-domestic.

3 Process evaluations are to understand the effectiveness of schemes' design, set-up, implementation and delivery; awareness and understanding of the schemes among recipients and suppliers; and perceptions and experiences of the schemes. Impact evaluations are to understand to what extent schemes achieved their objectives and have been effective in supporting stakeholders through the energy crisis; and the impacts of the interventions and how they vary by subgroup, for example, types of households and organisations. Economic evaluations are to understand to what extent the schemes provided value for money and how this varies by scheme.

Source: National Audit Office analysis of the Department for Energy Security & Net Zero's evaluation documents

3.4 DESNZ recognises that there are challenges with completing evaluations of these schemes.

- The schemes' breadth means that DESNZ might not be able to reach definitive conclusions on some of the smaller schemes as the cost of gathering data needs to be proportionate to the support provided.
- There is a lack of direct comparator groups because some schemes were universal and were delivered in a major crisis. Domestic and non-domestic energy usage patterns were out of sync following COVID-19, which had an impact on pre-energy crisis consumption levels, which would have been used as a baseline. DESNZ is therefore using alternative evaluation approaches which look to identify how domestic and non-domestic schemes contributed to outcomes. DESNZ is collecting data on self-reported impacts and has sought evidence from representative groups to understand why harder-to-reach individuals did not take up the funding. It is also looking to model a counterfactual for some benefits where the necessary data exists.
- While DESNZ is finding it challenging to isolate and attribute the schemes' impact on the economy, it is considering inflationary impacts and is analysing household spending (including discretionary spending) and firm closures.

3.5 As well as evaluating the schemes, DESNZ and independent reviewers have completed a number of lessons learnt reviews covering themes such as governance, operational delivery and fraud and error. To date, DESNZ has identified ways it might work more effectively with energy suppliers and how to set up programmes at scale and at speed to respond to any future crises; and it is sharing this learning internally across teams.

Considering the schemes' impacts

3.6 DESNZ is not yet in a position to judge the full impact of the schemes and whether they met their objectives. Some of these insights will come from its evaluations of the schemes. Stakeholders we have met have been generally positive about the schemes and what they achieved. We have considered some of the impacts of the schemes in the light of information currently available.

Preventing fuel poverty, self-disconnection and self-rationing

3.7 In February 2024, DESNZ reported in its Fuel Poverty Statistics[13] that between 2022 and 2023 the Energy Price Guarantee (EPG) scheme and the Energy Bills Support Scheme (EBSS) prevented an estimated 289,000 households from going into fuel poverty in England (the definition of which varies between England, Scotland and Northern Ireland).[14] Nonetheless, DESNZ estimated that between 2022 and 2023, even after government support, the increase in energy prices meant that overall around 238,000 more households fell into fuel poverty. DESNZ also considers another measure of energy affordability – whether a household needs to spend more than 10% of its income on energy, after housing costs. Its assessment is that the percentage of households in England exceeding this threshold more than doubled from 18.0% in 2020 (4.3 million households) to 36.4% in 2023 (8.9 million households) but is projected to start falling in 2024 as prices are projected to decrease.

3.8 DESNZ has reported that, given the sharpness of the rise in energy prices, even those not in fuel poverty as measured by the government's main measure of fuel poverty for England may have struggled with their energy bills. Energy UK has also said that some support was necessary for middle earners as well as the most vulnerable households that were affected during the energy crisis. It added that targeting during the energy crisis could have left many homes without support, either because of difficulties in identifying consumers in need of support or low take-up rates. As part of its evaluation of the schemes, DESNZ told us that it plans to estimate the number of households that would have been likely to have experienced harm, for example under-heating, in the absence of its support schemes. Its evaluation will also complete analysis to consider the deadweight in the domestic schemes, including understanding the impact on welfare and wellbeing.

3.9 Some organisations have highlighted the positive impacts from the schemes on the rates of self-disconnection and self-rationing, which are potential responses to rising energy prices which lead to a reduction in energy use and can have significant consequences for consumers' health and wellbeing.[15]

13 Department for Energy Security & Net Zero's *Annual Fuel Poverty Statistics in England, 2024 (2023 data)* (15 February 2024).
14 Fuel poverty in England is measured using the Low-Income Low Energy Efficiency measure. For this measure, a household is considered to be fuel poor if: they are living in a property with a fuel poverty energy efficiency rating of band D or below; and were they to spend the required amount to heat their home, they would be left with a residual income below the official poverty line.
15 Self-disconnection is defined as interruption to electricity or gas supply by consumers using pre-payment meters because of a lack of credit on the meter or account. Self-rationing, is where customers limit either energy use to save money or restrict spend in other areas to ensure sufficient funds are available to keep the pre-payment meter topped up.

- National Energy Action said that the EPG worked well for low-income high-energy users such as households with people with disabilities and households with medical dependencies, without which they would have had to further ration their energy use.
- Citizens Advice said it was contacted by 27,521 people in 2022, who could not afford to top-up their pre-payment meter, more than in the previous 10 years combined, but this increased to 38,111 people in 2023. Citizens Advice subsequently identified a substantial reduction in self-disconnection following the introduction of EBSS vouchers for traditional pre-payment meter customers (self-disconnection then increased when the scheme ended).
- Ofgem reported over 2.4 million domestic electricity smart pre-payment meter customers self-disconnected in the period from July to September 2022, decreasing to nearly 1.3 million between October and December 2022 once the EPG had come into effect. Since the energy support schemes ended, the number of customers self-disconnecting has increased to a high of 3.1 million (July to September 2023) before decreasing to over 2.3 million in January to March 2024.

Impact on the non-domestic sector

3.10 Non-domestic stakeholders we have met have been generally positive about the schemes with some reservations. The Federation of Small Businesses (FSB) told us the Energy Bills Relief Scheme (EBRS) was vital for a lot of businesses – its members would have had much larger energy bills, putting at risk their viability. Consequently, the FSB said the scheme contributed to there not being as large a decrease in business population as occurred in the COVID-19 pandemic. The FSB also told us the automatic application of discounts to non-domestic consumers' bills was better for businesses than the application approach for local authority support during the pandemic. The FSB viewed the Energy Bill Discount Scheme (EBDS) less positively, which it said did not affect business decision-making because it offered a lower rate of support. UKHospitality, a trade body for the hospitality sector, told us that, although its members would have liked more support, the schemes were important for businesses given the increase of energy costs as a proportion of turnover. It told us that its members reported an increase of energy costs as a proportion of turnover from 3% to 11% on average. However, it said it took a long time for the offer of support for alternative fuel consumers**.**

Impact on inflation

3.11 Indicative estimates from the Office for National Statistics (ONS) in November 2022 show that without the implementation of the EPG, inflation would have been higher. Specifically, the contribution of the cost of housing and household services, which includes energy costs, to the annual Consumer Price Inflation (CPI) rate in October 2022 would have been 2.77 percentage points higher. This would have taken the annual CPI in October 2022 to approximately 13.8% rather than 11.1%. For the EBRS, the ONS estimated that it reduced the annual input inflation rate in October 2022 by 0.2 percentage points.

Take-up

Domestic schemes

3.12 Although most households received support, there were some issues with take-up of available support for the domestic schemes. Ofgem reported that energy suppliers have successfully made 98.7% of EBSS scheme payments to expected eligible customers.[16] Of the 2.2 million (1.3%) of eligible payments which were not successfully made, 1.85 million were due to expired vouchers issued to traditional pre-payment meter customers or where properties were vacant. The remaining 350,000 were reported as exceptions, such as properties that were not connected to a supplier (for example where a house had been demolished) or because the identity of the occupant was not known (such as when a new tenant had not formally registered).

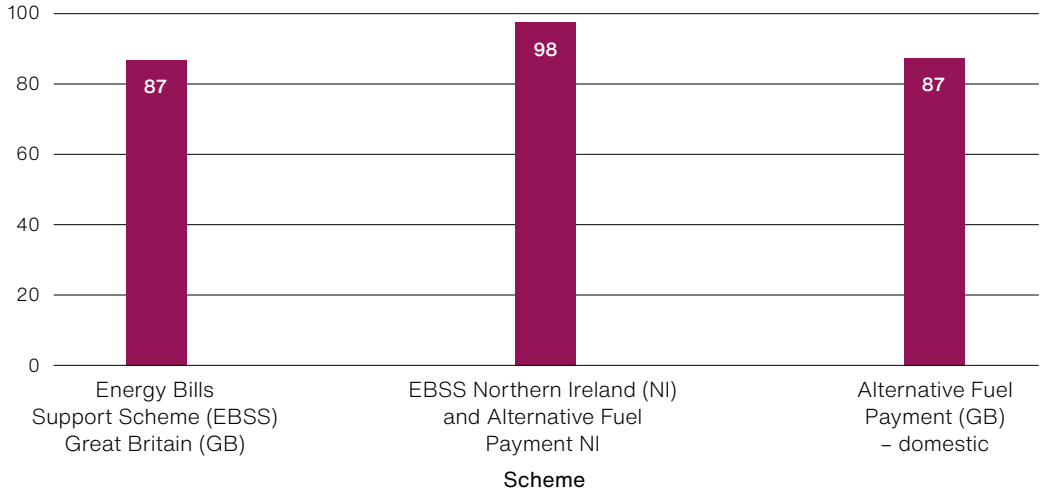
3.13 Some households did not receive EBSS and Alternative Fuel Payment (AFP) support as an automatic, direct payment and were instead issued with vouchers by their energy suppliers which they had to redeem.[17] In Great Britain (GB), voucher recipients were those with a traditional pre-payment meter and, in Northern Ireland, they were all households that did not pay their energy bills by direct debit for example, pre-payment meter and credit customers. Redemption rates for the vouchers ranged from 87% to 98% across the three schemes (**Figure 9** overleaf). Ofgem considers the primary reason for vouchers not being redeemed by traditional pre-payment meter customers to be because they had to receive and redeem vouchers in a physical location such as a shop or post office, and then apply top-ups to their meters manually. Unredeemed EBSS GB vouchers were focused in social renting areas and areas with a substantial ethnic minority population. Citizens Advice told us that there were issues with vouchers not arriving, with postal strikes in November 2022, and energy suppliers not having up-to-date contact information. One energy supplier described the difficulties in both getting vouchers to the correct customers and also in getting them to redeem them once received for example, because people were suspicious of a scam, had difficulties reading, or did not have English as their first language. Difficulties in delivery were often related to customers moving and not telling suppliers, so although the energy meter was being topped up, the customer's identity was not clear.

16 98.7% represents 170.7 million out of 173.0 million eligible payments for a total of around 28.9 million customers.
17 The discount vouchers were issued for each of the six months of the scheme via SMS text, email or post, using the customer's registered contact details.

Figure 9

The percentage of vouchers redeemed by domestic energy bills support scheme, August 2024

Most eligible households redeemed the vouchers



Notes

1 The total number of vouchers is the total number of redeemed and unredeemed vouchers.

2 The percentage of vouchers redeemed was calculated by dividing the number of redeemed vouchers by the total number of vouchers using end of scheme data.

3 Vouchers refer to payments provided to customers with credit and pre-payment meters only. A payment to a pre-payment meter is deemed provided when the supplier has issued a voucher. The payment is considered redeemed or delivered when the customer has applied the credit to their meter. Customers had until 30 June 2023 to redeem all payments.

4 Percentages have been rounded to the nearest whole number.

5 The Department for Energy Security & Net Zero (DESNZ) rounded the source data that we used to calculate percentages to the nearest 10; and it suppressed some source data to protect individuals.

6 The data presented are based on the latest figures provided to DESNZ by electricity suppliers. These data are self-reported and, although some quality assurance has been carried out by DESNZ, it has not been possible to carry out full verification of the data provided. DESNZ reconciled outstanding payments following the schemes' closure on 30 June 2023.

Source: National Audit Office analysis of the Department for Energy Security & Net Zero's published data

3.14 Take-up was lower among harder-to-reach households unable to access support automatically and who had to apply for it.[18] For example, this was because they did not have a domestic electricity contract with a supplier, such as those living in park homes and on boats, or were tenants in care homes, or used an alternative fuel to mains gas to heat their homes. In these cases, they had to apply for support through the Energy Bills Support Scheme Alternative Funding (EBSS AF) and Alternative Fuel Payment Alternative Fund (AFP AF) schemes respectively.[19]

- Take-up of the EBSS AF was 18.2% (of the provisional estimate of 798,700 potentially eligible households) in GB and 19.1% (of the provisional estimate of 28,000 potentially eligible households) in NI. The data available to determine harder-to-reach eligible households was either very limited or lacking. To deliver the support at pace, this meant that DESNZ based its estimates of potentially eligible households on highly uncertain data. DESNZ told us that, as part of its evaluation of the schemes, it is looking at how it can improve its estimate of population sizes.
- Take-up of the AFP AF was around 21%. As with the EBSS AF, to deliver support at pace DESNZ based its estimates of potentially eligible households on highly uncertain data. There was low application success of the AFP AF among harder-to-reach customers such as council and housing association tenants (49%), private tenants (69%) and Travellers (70%). DESNZ recognises that more research should be undertaken to understand the reason for this.

The majority (72%) of the 332,170 applications made for domestic alternative fuel support were paid (**Figure 10** overleaf).

3.15 DESNZ has captured lessons learned from stakeholders to improve targeting of domestic schemes at harder-to-reach consumers and to improve their take-up of any future support.

- **Scheme timing:** Public awareness and understanding of the alternative fuel schemes were hampered because they were delivered separately from the main scheme and to different timings.[20] Launching the alternative fuel schemes in parallel with the main schemes may have helped with a better communication to help prevent for example, conflicting messages – the EBSS said "you do not need to apply, watch out for scams", whilst the Energy Bills Support Scheme Alternative Funding (EBSS AF) asked households to apply for support.

18 Harder-to-reach households covered a wide range of groups, including partially/wholly self-funded care home residents, tenants in certain private or rented social homes, properties with their own source of energy generation, park home residents, Travellers on fixed sites and boat dwellers on fixed mooring and farmers living in domestic farmhouses.

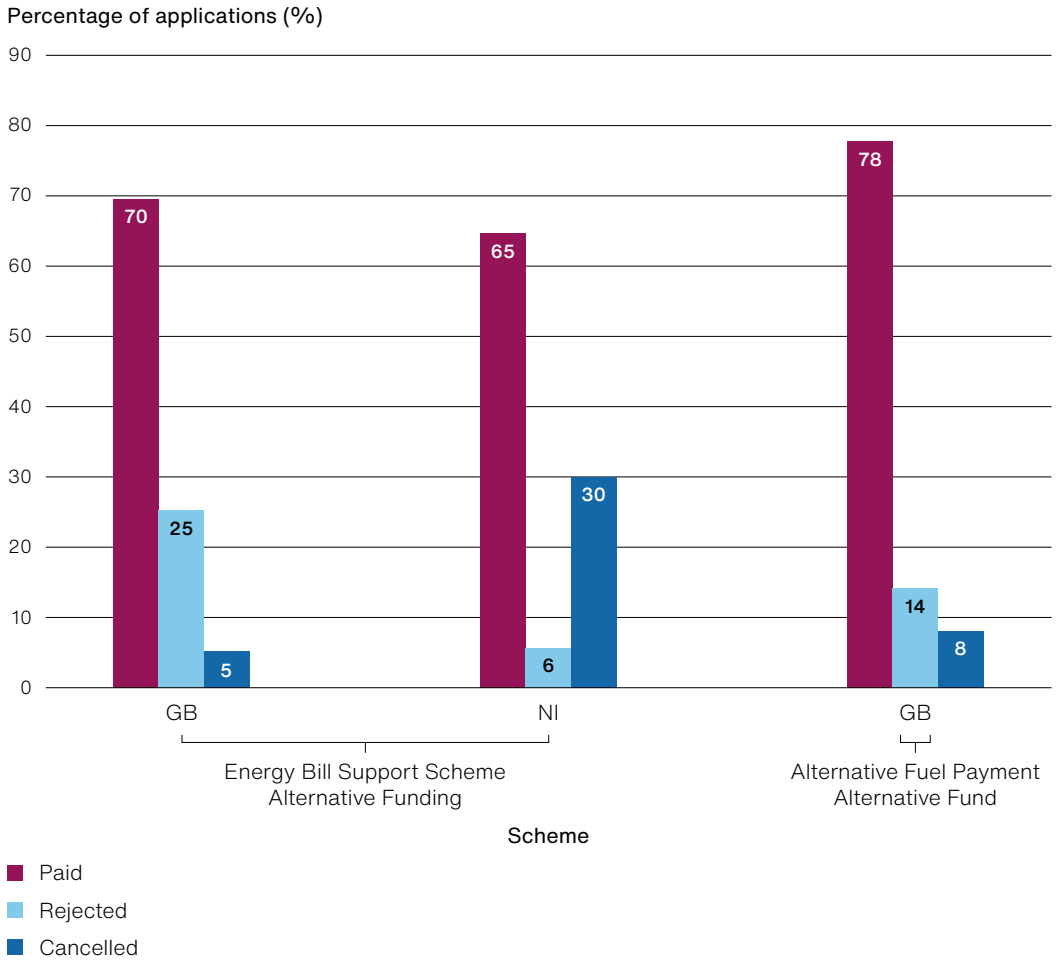
19 Those households eligible for EBSS AF had to submit a short online form via GOV.UK or via a contact centre helpline. AFP AF eligible households were required to submit an application via a GOV.UK online portal.

20 EBSS in Great Britain was open from October 2022 to March 2023 and EBSS AF was open from February 2023 to May 2023.

Figure 10

Percentage of applications paid, cancelled or rejected for the Energy Bills Support Scheme (EBSS) Alternative Funding Great Britain (GB) and Northern Ireland (NI); and Alternative Fuel Payment Alternative Fund GB, October 2023

The majority of applications made for domestic alternative fuel support were paid



Notes

1 The energy bills support schemes shown here are those that required applications as one of their, or only, delivery mechanisms.

2 'Paid' refers to applications that met the eligibility criteria and were paid the schemes' relevant amount.

3 'Cancelled' refers to applications where, for example, applicants were required to provide additional proof of eligibility but had not done so in time. Cancelled applications, in this case, could re-apply after obtaining the required proof of eligibility.

4 'Rejected' refers to applications that did not meet the eligibility criteria and were rejected. Applicants could, in principle, not re-apply.

5 Percentages have been rounded to the nearest whole number.

6 The Department for Energy Security & Net Zero (DESNZ) rounded the source data that we used to calculate percentages to the nearest 10; and it suppressed some source data to protect individuals.

Source: National Audit Office analysis of Department for Energy Security & Net Zero's published data

- **Application window:** Extending the application window allows sufficient time for communications to reach intended audiences, who are often less digitally literate.
- **Communication methods:** Increasing the variety of communication methods to include non-digital approaches and government delivered targeted communications. Schemes were promoted on the GOV.UK website, where the description of eligibility criteria was not clear. Wider promotion activity was limited, and eligibility was not particularly clear.
- **Understanding:** There was a high level of variance in the success of applications for the alternative fuel schemes between harder-to-reach audiences with different circumstances, ranging from 52% for council and housing association tenants to 88% for those in park homes. DESNZ recognises that more research is needed to understand the reasons for the differences in success and that it could improve its understanding of effective methods of reaching particular groups through engagement with representative groups and charitable organisations.

Non-domestic schemes

3.16 Most eligible non-domestic consumers received EBRS and EBDS support as a discount applied automatically to their bills by their energy supplier, but those consumers in certain energy- and trade-intensive sectors and heat networks with domestic customers had to apply to receive a higher level of EBDS support. Non-domestic consumers who were higher users of heating oil (kerosene) could also apply for a top-up payment as part of the non-domestic AFP. Take-up was mostly below what BEIS expected:

- Take-up for additional EBDS support for energy and trade-intensive sectors was lower than the 44,000 consumers BEIS estimated as eligible – 6,641 applications were submitted of which 3,784 were paid (equal to 8.6% of eligible payments made).
- Take-up of the non-domestic AFP top-up support was lower than the 11,000 that DESNZ estimated, with only 2,636 applications submitted and 460 of those paid.

3.17 Robust contact information for non-domestic consumers eligible to apply for additional support, was not readily available, which made it difficult for DESNZ to develop targeted communications for these organisations. This has likely resulted in some eligible consumers not being reached and therefore missing out on support. Ofgem and DESNZ commissioned research into businesses' experiences of the energy market, which showed that awareness and impact of the EBDS scheme was more limited compared to the EBRS. However, as the EBDS was ongoing during this research, final awareness and impacts are expected to differ. DESNZ's evaluation of the schemes will look at the reasons for the low take-up levels.

Part Four

Responding to future volatility in energy prices

4.1 This part of the report looks at the steps the Department for Energy Security & Net Zero (DESNZ) is taking to respond to future volatility in energy prices. It covers DESNZ's work to:

- target support provided through future schemes;
- build its understanding of the non-domestic market; and
- make the energy system more resilient.

Targeting support in future schemes

4.2 In our 2023 report, *Energy bill support,* we highlighted how the Department for Business, Energy & Industrial Strategy (BEIS) accepted that implementing the schemes brought substantial risks to value for money.[21] This was in part because it was potentially providing support to homes and businesses which did not need it (known as deadweight) – the analysis and processes needed to target support at certain groups would have taken too long to complete, especially given the limits of the data the government held. Some organisations have said that the support schemes could have been more impactful if they had targeted support to those who needed it most. National Energy Action, for example, told us that the universal nature of the schemes meant the support given did not match the support needed, with those on lower incomes receiving the same level of support as those with higher incomes. DESNZ is now considering how it might target future domestic and non-domestic schemes.

21 Comptroller and Auditor General, *Energy bills support,* Session 2022-23, HC 1025, National Audit Office, February 2023.

Domestic schemes

4.3 DESNZ is at the early stages of considering how data matching might support better targeting of support at vulnerable households in the future. Data matching is the process of comparing sets of data held by the same or another body to identify patterns or matches that could be used to improve efficiency or policy implementation. This is because the linking of various datasets can give a comprehensive insight of individuals and households which could lead to, for example, tailored assistance. In our good practice guide on encouraging the better use of data by government, we highlighted reasons why implementing data matching is difficult.[22] For example, different departments have different requirements around data quality; departments can operate in a siloed way, resulting in an absence of standardisation; and departments need to manage legal risks to sharing data.

4.4 In February 2024, DESNZ started to consider its objectives for data matching to support greater precision in identifying and targeting vulnerable households. It has identified some barriers to doing this. For example, DESNZ needs household-level income information to allow data matching with energy suppliers, but HM Revenue & Customs (HMRC) only has income data on individuals because households are not taxed. Defining a household is a complex task – some circumstances are hard to categorise; for example, when residents move out of their home for a period of time. In addition, HMRC data on Self-Assessment income is lagged, as the tax returns which HMRC hold are filed for the previous year, and the real-time income data is only for citizens who are employed.

4.5 In June 2024, DESNZ formed an initial cross-government group with the Cabinet Office, HM Treasury, HMRC and the Office for National Statistics (ONS) to discuss its requirements and the data that are currently available. DESNZ told us that it is working with the Department for Work & Pensions to better understand how data can be combined.

4.6 DESNZ has not yet developed data matching to enable targeted support which could be needed as consumer debt levels are increasing. The latest Ofgem statistics from June 2024 show the total owed by domestic consumers for both electricity and gas was over £3.7 billion compared with £1.8 billion at the end of 2021. Energy UK, the trade association for the energy industry, is advocating for sustainable and targeted interventions, which would help to address the increasing levels of consumer debt as well as forming the basis of future interventions. In particular, it has called for the government to develop its data matching work to enable targeting of future bills support by winter 2025.

22 National Audit Office, *Improving government data: A guide for senior leaders,* July 2022.

Warm Home Discount

4.7 The Warm Home Discount (WHD) is a government initiative designed to help those on low incomes and who are vulnerable to cold-related illnesses or living completely or partially in fuel poverty with their winter energy costs. It provides an annual one-off £150 discount on electricity bills to those on, for example, the Guarantee Credit element of Pension Credit. DESNZ told us it is exploring options for the WHD to provide better targeted support.

Non-domestic schemes

4.8 The government's understanding of the non-domestic sector was poor at the time the interventions were developed and then implemented. This resulted in the government initially taking a blanket approach to interventions which did not take into consideration sector-specific conditions. Over time, DESNZ used its understanding of the non-domestic sector to target some support to businesses. It introduced the Energy Bill Discount Scheme in April 2023 to provide support to organisations which were energy- and trade-intensive. Industries that were energy and trade-intensive were subject to lower price thresholds and received higher unit discounts. DESNZ's approach meant, however, that some sectors with high energy usage, such as hospitality, did not receive the support. The government has used other approaches to target vulnerable businesses, such as turnover. The Bounce Back Loan Scheme, for example, targeted loans to small- and medium-sized businesses by applying a turnover limit of £200,000 to applicants.

4.9 DESNZ decided to target support based on energy usage through a discount to energy costs, so that support was proportionate to energy consumption. It also considered that this approach would be relatively easy to administer without a need for organisations to share information on their financial position and energy costs. It rejected loans as an option at an early stage as feedback from business representative bodies indicated that businesses already felt indebted following COVID-19 related loans. DESNZ told us that developing a scheme for individual sectors would have been too complex.

Understanding the non-domestic sector

4.10 DESNZ told us that it has gained a richer understanding of the non-domestic sector through the schemes but could do more to show stakeholders how its improved understanding is influencing its design of future policy. It said that it has learned about: how energy contracts are negotiated; the differences between various types of organisations and how they manage their energy, with detailed data at a meter level by usage, cost and sector; and a lack of transparency in the market, such as little means for energy price comparisons. DESNZ told us that it was using analysis of the data it had collected on the non-domestic sector to inform, for example, the expansion of the Energy Ombudsman's remit to small businesses. Ofgem suggested to us that smaller businesses have received greater focus than larger organisations, as they are more like the domestic sector; and that in some cases the government can assume that a larger organisation has someone responsible for managing its energy contract. Some stakeholders agreed with DESNZ's improved understanding:

- The Federation of Small Businesses told us the government was starting to increase its focus on the non-domestic sector, but it remained insufficient compared with that of the domestic sector.
- Energy UK said that, as the schemes progressed, the government improved its understanding of the operation of the non-domestic market. Although, in the early stages the government only spoke to a few suppliers about how the non-domestic market works, adding that the government was in "new territory" when deciding on the level and duration of support. This meant that the government did not obtain views from a range of suppliers with different customer bases across the non-domestic market. Energy UK also told us that the design and implementation of the Energy Bill Discount Scheme would have been smoother had the government considered the lessons from the challenges faced in developing the Energy Bills Relief Scheme.

4.11 Ofgem has taken some steps in response to learning about the non-domestic sector. A review of the non-domestic market by Ofgem in April 2024 set out decisions to implement changes to contracts that would provide greater protections for non-domestic customers, in response to non-domestic sector feedback. It included changes to Ofgem rules requiring that suppliers treat all customers fairly; and put in place suitable complaints procedures for small business customers. Ofgem is also aiming to improve energy price transparency, such as providing an explanation for the make-up of energy contract prices.

Making the energy system more resilient

4.12 DESNZ's responsibilities include "delivering security of energy supply". In its *Powering Up Britain* policy paper, DESNZ committed to bringing bills down in the long-term and keeping them affordable by 2035 to meet its ambitions.[23] Analysis from the Office for Budget Responsibility concluded that the government's financial support for energy bills was higher than many other European countries because of the UK's reliance on natural gas, which also affects electricity prices.

4.13 DESNZ has a number of initiatives which look to reduce consumer reliance on gas. It is, for example, promoting energy efficiency measures. It is also investing in renewable electricity generation, such as working on programmes to decarbonise the power sector. In July 2024, DESNZ announced £1.5 billion to support the next renewable energy auction as well as an increased budget to support offshore wind. DESNZ considers that an expansion in the supply of clean energy should reduce reliance on natural gas, through decreasing the need for gas-fired power plants and will support energy security. DESNZ is also working on programmes to reduce emissions from heating homes and buildings, which will mean replacing natural gas as the main source to heat these properties.

4.14 In April 2022, the government launched its Review of Electricity Market Arrangements (REMA) as part of its British Energy Security Strategy. The government described REMA as its "flagship policy to enable a net zero power sector by 2035, subject to security of supply, while ensuring a fair deal for consumers". The review was intended to identify the reforms needed for a transition to a decarbonised and secure electricity system. DESNZ is currently considering responses to a consultation exercise from consumer groups and the energy industry. It has not yet set a timetable for next steps or for any policy decisions this work might inform.

23 HM Government, *Powering Up Britain,* March 2023.

Appendix One

Our audit approach

Our scope

1 Our report is an update to our February 2023 report *Energy bills support* which described the design and early implementation of the government's schemes to protect homes and businesses from high energy bills over winter 2022-23. The schemes are now closed for payment. This report examines:

- how much the schemes cost;
- the extent to which they achieved their objectives to protect consumers and boost the economy; and
- the Department for Energy Security & Net Zero's (DESNZ's) approach to protecting consumers against future volatility in energy prices.

Our evidence base

2 In examining these issues, we drew on a range of evidence which we analysed between June and September 2024.

3 We prepared and published this report shortly after the schemes had closed for payment and while DESNZ was undertaking evaluations of the schemes' impacts. DESNZ plans to publish its evaluations' findings in 2025. As this evaluation is not yet available we have drawn on datasets and viewpoints from stakeholder representative bodies.

Document review

4 We reviewed DESNZ documents on the energy bills support schemes. These included:

- governance documents such as terms of reference, meeting minutes and papers of relevant boards;
- invitations to tender and plans for the domestic and non-domestic scheme evaluations;

- scheme performance and risk management documents such as performance dashboards; and
- scheme closure and lessons learnt reports.

5 In addition, we reviewed documents and reports from stakeholders to understand views on the design, implementation and impact of the schemes. We also sought views on challenges, lessons learnt, and approaches to responding to future volatility in energy prices.

Interviews

6 We conducted a series of seven semi-structured interviews with officials at DESNZ. The interviews were structured by the key themes of our report: measuring schemes' costs and benefits; reconciliation and closure of the schemes; fraud and error; scheme evaluations; lessons learnt; schemes' take-up and impacts; and plans for managing future volatility in energy prices.

7 We also undertook 11 semi-structured interviews with wider stakeholders. The purpose of these interviews was to seek views on the design and impact of the schemes; their scheme roles and responsibilities; scheme implementation and management including challenges; lessons learnt and managing future volatility in energy prices. The stakeholders we spoke to were:

- HM Treasury;
- Ofgem;
- the Utility Regulator Northern Ireland (UREGNI);
- the Public Sector Fraud Authority (PSFA);
- the Infrastructure and Projects Authority (IPA);
- Citizens Advice;
- The Federation of Small Businesses;
- UKHospitality;
- Utilita Energy;
- Energy UK; and
- National Energy Action.

8 We conducted interviews virtually using Microsoft Teams. We took notes during each interview, but we did not record the interviews.

Quantitative analysis

9 We undertook analysis of a range of publicly available data as well as data provided by DESNZ, including data on:

- energy prices, to understand the trend before and after the energy crisis;
- scheme expenditure, to understand the financial scale of the schemes and distribution of payments between domestic and non-domestic consumers;
- the level of fraud and error within each scheme;
- self-disconnection rates over time, to understand the impact of the schemes; and
- voucher redemption rates and applications for and payments made to consumers eligible for additional energy support, to understand the reach of the schemes.

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