

Consultation response

Ref 5209

Consultation on draft regulations and policy proposals for the Energy Costs Support Scheme

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About this consultation

The Pensions Act 2008 enables energy suppliers and the (Department for Work and Pensions) DWP to share data in order for suppliers to target social assistance schemes on people receiving Pension Credit.

The DWP is seeking views on the draft regulations and proposals for how this power will be taken forward. The intention is that the provisions will be used in 2010 to make payments to people aged 70 and over receiving the just the guarantee element of Pension Credit. This will reduce energy bills for an estimated 250,000 older households and also act as a pilot scheme for a proposed wider scheme from 2011 onwards.

Key points and recommendations

In the context of a cash limited pilot scheme and legislation specifically relating to Pension Credit recipients we agree that it is appropriate to target support to those aged 70 and over receiving the guarantee element.

We suggest Energy Rebate Scheme would be a better name than Energy Costs Support Scheme.

The principle of sharing data should be that it must be done for purposes which are wholly beneficial and provide a worthwhile benefit to the individual.

Delivery mechanisms should mean that people see the benefit of the credit through reduced bills as quickly as possible.

On balance we accept that people already receiving a social tariff should be excluded as long as this can be done easily without significant additional administrative costs and in a way that ensures individuals are not worse off because they are receiving a social tariff.

We accept that there needs to be a qualifying date but believe that a mechanism should be sought to make payments to people who later receive an award of Pension Credit which includes this date.

We agree that for the pilot scheme the right approach is to endeavour to accommodate requests to exclude those who do not wish their data to be matched but not to proactively offer an opt out.

We recommend that the DWP writes to people who could be eligible for the scheme but have not been matched. There needs to be an easy way for individuals to check their eligibility and claim the payment if appropriate. It is essential that personal data is protected, security monitored, and the regulations around data protection enforced.

It is important that there is clear and consistent information provided about the scheme aimed at individuals and advisers.

There needs to be a full evaluation of all aspects of the scheme.

Introduction

Age Concern and Help the Aged is pleased to have the opportunity to respond to this consultation. We very much welcome initiatives to tackle the major problem of fuel poverty among older people. Support such as social tariffs and energy efficiency schemes can be very beneficial but people often do not apply for the help that is available. We therefore support the aim of providing assistance in a way that is delivered automatically.

This response is based on our knowledge as an organisation working with and on behalf of older people and also draws on four deliberative workshops carried out with people aged 60 and over. The workshops explored people's views on data sharing for beneficial purposes and included discussion around the specific proposal for DWP and energy companies to share data¹.

There is a question as to whether sharing DWP and energy suppliers' data is the most effective way to give people receiving Pension Credit help with fuel bills and in all four of our workshop, without prompting, some participants suggested other ways of doing this. For example the DWP could provide the support directly and claim the costs from energy companies. We also note that sharing data between energy companies and the DWP is sensitive and does not receive universal support. Getting on for a half of the older people participating in our workshops felt that data should not be shared even for beneficial purposes. We also carried out polling which raised similar concerns with around half saying that Government and energy company data should not be shared.

Having said that, Age Concern and Help the Aged believes that data sharing can provide new and innovative ways of getting support to those who need it. We therefore welcome this pilot scheme as a way of providing reductions in bills to some poorer older people and testing out how this can best be done. Given the concerns that people have it is essential that the scheme works smoothly with no security lapses and that there is a full evaluation to consider benefits, costs and risks.

¹ *The Benefits of Sharing* Age Concern and Help the Aged, 2009.
http://www.ageconcern.org.uk/AgeConcern/income_policy_reports.asp

Question 1 Target group

In the context of a cash limited pilot scheme and legislation specifically relating to Pension Credit recipients we agree that it is appropriate to target support to those aged 70 and over receiving the guarantee element.

As part of their commitment to provide social tariffs energy suppliers have agreed that around £25 million will be used to fund the scheme which is specifically around providing support to people receiving Pension Credit. In this context the proposals seem reasonable on the basis that:

- Those on guarantee credit alone have lower incomes than those receiving the savings credit (with or without the guarantee element).
- If the scheme was available to other groups receiving Pension Credit this would reduce the level of payment which is likely to be £80 to £100. If the amount given was much less than this we would question whether it would have sufficient impact to justify the sharing of personal data.

Having said this we anticipate that there will be some confusion as people are not necessarily aware which element of Pension Credit they receive, or even if they receive Pension Credit. There is also likely to be criticism from older people who just miss out. One of the aims of Pension Credit was to introduce a tapered scheme in recognition that those who have been able and willing to make savings provision should be better off in retirement. The more that schemes providing financial support are linked to specific means-tested benefits the harder it is to achieve this goal. Taking into account an energy rebate of say £100 anyone with savings credit of between £0.01 and £1.90 in addition to their guarantee credit could be worse off over a year than someone with lower state and private pension income topped up to the level of guarantee credit. Furthermore somewhere between a quarter and a fifth of those entitled to Pension Credit guarantee alone have not claimed so unless take-up is improved the credit will not reach the very poorest older pensioners.

Responses from older people and the reaction to the award both from those who are entitled and those who cannot receive it should be monitored as part of the evaluation.

Question 2 – The name

We suggest Energy Rebate Scheme would be a better name than Energy Costs Support Scheme.

The name of the scheme needs to be as short and self-explanatory as possible. The aim should also be for the name to limit confusion with the range of other systems of support such as social security payments, energy efficiency

schemes and social tariffs. Although the term 'credit' is used in the consultation paper and is referred to in this response we would advise against this being used in the actual name and information provided about the scheme because of the confusion with Pension Credit.

At a seminar run by DWP to discuss the scheme the names 'Energy Rebate Scheme' and 'Energy Discount Scheme' were suggested. These are shorter and clearer than the current working title and we have slight preference for the former.

Whatever name is chosen we would urge officials, advisers and staff in energy companies to always use the full name in any information they produce or in any discussions with individuals in order to help avoid confusion with other provision.

Question 3 - How the scheme will work

The principle of sharing data should be that it must be done for purposes which are wholly beneficial and provide a worthwhile benefit to the individual.

Age Concern and Help the Aged supports the aim of providing the credit automatically and we agree that data should only be matched if the outcome is that older people receive a worthwhile benefit. We agree that energy suppliers should also be able to use the Pension Credit leads as part of their CERT commitments and also to include people on their Priority Service Register. The principle of using the data should be that the purposes are wholly beneficial to the individual.

The consultation paper states that suppliers will not see DWP data or that of other suppliers and we agree this is an essential feature of the scheme. It also states that DWP will not see suppliers' data. It is important to limit access to data to essential use however there must be a way of checking any enquiries or discrepancies. For the individual the important point is that they can easily contact someone who can deal with their query and are not passed around from one organisation to another. This links in with the issue of non-matches set out below. We note that older people who took part in our workshops were less likely to be concerned about energy suppliers' data being passed to DWP than the other way round.

Question 4 – eligibility and delivery

Delivery mechanisms should mean that people see the benefit of the credit through reduced bills as quickly as possible.

On balance we accept that people already receiving a social tariff should be excluded as long as this can be done easily without significant additional administrative costs and in a way that ensures individuals are not worse off because they are receiving a social tariff.

Older people will hear about the credit through friends and family or the media and will compare their situation with others. So the aim should be for the credit to be given as soon as possible and in a way that is broadly consistent across suppliers. For those receiving quarterly bills it should be reasonably straightforward for customers to see they have been awarded a reduction when they receive their bill. People paying by direct payment will have the credit added to their account and this may be less obvious depending on whether their account is in credit or debit. The quality of accompanying information will be important and we would also urge suppliers to review the monthly direct debit payment soon after the credit is made to reduce the time that people have to wait before benefiting from lower monthly bills. As is recognised in the consultation paper there are particular difficulties for pre-payment users which need to be considered further.

Paragraph 56 states that customers who are already receiving a social tariff or discounted tariff for their electricity will not be eligible for the credit. It also says that most social tariffs will be worth more than the credit but the DWP are investigating whether it would be possible to make the payment to those who receive a social tariff or discount worth less than the credit.

There is a good argument that those already receiving their suppliers' discount should not benefit twice. If the credit was paid to all regardless of whether or not they were already receiving a social tariff then the number who would benefit could be considerably more than 250,000 households. Unless the total amount available for the scheme can be increased payments would be less.

On the other hand only an electricity social tariff will be taken into account so the credit could be made to people who were receiving a social tariff from their gas supplier but not the electricity supplier. Excluding people receiving social tariffs may make it harder for individuals to understand the systems and for advisers to help people make the best decisions about their energy supplies. Furthermore it is likely to complicate the administration of the system.

While there are arguments for and against excluding those already getting social tariffs, on balance we accept the proposal to exclude this group for this pilot initiative as long as this can be done easily without significant additional administrative costs, individuals are not worse off if they receiving a social tariff,

and the system can be clearly communicated to people. If these provisions cannot be achieved it would be better to make payments to all in the target group.

Question 5 – Qualifying date

We accept that there needs to be a qualifying date but believe that a mechanism should be sought to make payments to people who later receive an award of Pension Credit which includes this date.

It is proposed that entitlement will be based on circumstances at a single qualifying date which has not been decided but is likely to be around the end of March. Any single cut off point causes claims of unfairness from those who just miss out as we know from the frequent complaints we receive from those who miss out on Winter Fuel Payments because their birthday is just after the qualifying date. However we accept that the energy costs scheme will need a qualifying date for administrative purposes.

However we do not agree that the award should be based on actual receipt of Pension Credit rather than entitlement which would deny payment to those who have made a claim for Pension Credit and are subsequently given an award which covers the qualifying date. Otherwise people may be disadvantaged if the Pension Disability and Carers Service (PDCS) delay processing a claim. It could also prevent organisations highlighting the availability of the energy costs payment as an additional incentive to claim Pension Credit in any take-up work. We and other organisations, including PDCS, would not be able to encourage people to claim before a certain date in order to be eligible for the rebate as this would depend on how long it took to process and start to pay any entitlement.

We hope the DWP and suppliers can work together to find a way of allowing retrospective awards, for example, by carrying out a match of all relevant new awards covering the qualifying date at regular intervals. If the rules that allow backdating for up to 3 months cause particular administrative difficulties then a compromise might be to make the award to just those who made a claim by the qualifying date.

Question 6 Opt out

We agree that for the pilot scheme the right approach is to endeavour to accommodate requests to exclude those who do not wish their data to be matched but not to proactively offer an opt out.

When the scheme was first proposed we argued that people should be able to opt out of the scheme and when asked older people in our workshops who expressed a view also wanted this. However we recognise the additional administration and cost involved. In addition people may opt out because of

unfounded fears of the security of the system or because they do not fully understand the benefits. There is also the question of how long an opt out would last and whether people might miss out in the future.

For all these reasons we agree that for the pilot the process should be as set out in the consultation paper, namely an opt out will not be offered or proactively promoted but those who contact the DWP or their energy company saying they do not want their data shared will be excluded from the scheme where possible. As this is a pilot scheme it will enable this approach to be tested and evaluated in order to consider the best way forward in any future schemes.

Question 7 – Dealing with cases where details are not automatically matched

We recommend that the DWP writes to people who could be eligible for the scheme but have not been matched. There needs to be an easy way for individuals to check their eligibility and claim the payment if appropriate.

As the paper states until tests start we will not know how closely DWP and energy suppliers' data match and how many people who should qualify for the credit will not receive it automatically because, for example, name or address data is not exactly the same.

There will be people aged 70 and over receiving Pension Credit who are not the named bill payer but in some cases will be responsible for paying. A likely example would be where someone had been widowed or their partner has moved out but they have not changed the name on the account.

We recommend that the DWP writes to all people aged 70 or over in receipt of Pension Credit guarantee alone who have not been matched unless it is clear that they are excluded from the scheme. This should set out the circumstances where people are not eligible for the credit (for example because they are not the bill payer) and where people may have incorrectly not been awarded it (for example because their name or address details are not matched). If people are excluded because they receive social tariffs this will need to be explained clearly. The information will need to set out the procedures for claiming the credit if appropriate and how to obtain further information. As stated above it will be important that this is a straightforward process which does not, for example, result in people being referred to and fro between the DWP and their supplier.

Question 8 – Data protection and security

It is essential that personal data is protected, security monitored, and the regulations around data protection enforced.

It goes without saying that for the scheme to be acceptable and successful personal data must be absolutely secure and only used for the purposes prescribed. Older people taking part in our workshops were concerned that private companies could use DWP information for cold calling and marketing purposes. When we discussed general data protection issues in the workshops a number of participants were sceptical about whether private companies (not specifically energy companies) did actually act according to data protection law. In terms of Government and data protection many participants remembered examples of previous security lapses.

We have no specific comments on the regulations. We recognise that both the DWP and energy companies are committed to ensuring the security of data although we are not in a position to judge the risks of this not happening either through intent or poor administration. It is important that security is monitored and regulations are enforced. There needs to be clarity about how this will be achieved.

In our workshops we discussed the idea of data being matched by a trusted third party rather than by energy suppliers or the DWP. Although we had initially thought this would be the best option, older people in our workshops were generally negative arguing that the more organisations involved the greater the risk of something going wrong and expressing concerns about accountability.

For this scheme it will be really important for individuals to know how they can find out about their rights, who they can contact to discuss any concerns and how to take forward a complaint if they believe there has been a lapse in data protection.

Question 9 – Equality

We have no specific comments on the scheme in terms of equality issues. The extent to which support goes to people aged 70 and over on an equal basis relates more to whether there is equal access to Pension Credit guarantee than the details of this scheme.

Any information or communications about the scheme will need to be accessible to all sections of the older population including those with sensory impairments or disabilities and people whose first language is not English.

Other issues

Communication

It is important that there is clear and consistent information provided about the scheme aimed at individuals and advisers.

Older people may hear about the scheme from others and will have questions as to why they have or have not received a credit on their electricity bill. We acknowledge that it would be expensive to write to people specifically about the scheme although as set out above this should occur for those who meet age and benefit requirements but have not been awarded the credit.

Leaflets and other information produced by DWP and energy suppliers which describe help with energy bills should include some information about the scheme. It would be helpful if Government and energy suppliers could agree to describe the scheme in a broadly consistent way. Any materials should make clear who customers should contact for further help or if they have a complaint about the scheme.

There should be more detailed web based information aimed at staff in DWP and energy companies and those giving advice to older people.

Evaluation

There needs to be a full evaluation of all aspects of the scheme.

We agree that it is right to pilot the scheme in advance of it being extended further and it will be important for there to be a full evaluation. In addition to looking at the administrative issues such as the quality of data the evaluation should include:

- An assessment of the impact on fuel poverty.
- Information on the direct and indirect costs to both the energy suppliers and DWP in order to assess how cost effective the scheme is.
- Monitoring of any feedback or concerns received from older people for example responses to the principle of data sharing or uncertainty about entitlement.
- An assessment of the impact on organisations that provide support, information and advice, for example any increase in enquires.

We welcome the consultation that has been carried out with stakeholders and hope the DWP will continue to involve stakeholders in the evaluation and planning of any future initiatives.