

No One Left In The Cold

PRASEG Energy Bill Support Inquiry

July 2026

Foreward

Polly Billington MP

Parliamentary Chair of PRASEG

The recent conflict in Iran has been yet another wake up call, highlighting the structural weaknesses in our economy that is caused by our reliance on fossil fuels. It will transform how we think about energy and drive the aim of achieving energy independence.

I am glad to see that part of government's response to this crisis has been to explore energy bill support measures for the fuel poor. This needs to be a priority for government, and barriers that are identified in this report need to be urgently tackled.

Families across the country need protection from an energy market that is not capable of protecting consumers from energy crises and price shocks.

Energy market reform is essential, but it will not bring relief to those who cannot afford to heat their homes now. The Warm Homes Plan has the potential to permanently bring down people's bills, but again, will not provide relief in the short-term.

Designing a targeted, sufficient energy bill support scheme that provides immediate relief, while supporting fuel poor households to permanently bring down their energy bill is vital.

We must use the urgency this crisis requires to shield vulnerable people, and the country's finances, from energy spikes.

I would like to thank all the PRASEG Supporters who contributed to the inquiry and the development of this report.



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Executive Summary

The UK is still in the midst of a cost-of-living crisis, driven in part by high energy bills. While government has acted to bring down bills, and is continuing exploring further measures, it is vital that we act to shield those in fuel poverty from the worst excesses of high energy bills.

The government's current vehicle for tackling fuel poverty is the Warm Home Discount, which after being expanded gives 6 million people £150 off their energy bills in Winter. While this scheme is welcome, more support is needed - the fuel poverty gap is estimated to be £407.¹

We launched this inquiry to examine the key questions, gaps, and solutions required to develop a targeted and sufficient energy bill scheme, and we have produced a series of recommendations that government should implement to break down existing barriers:

Findings and Recommendations

1

Drive forward progress on data sharing

Consistently respondents told us that data sharing and matching is a major barrier to creating an energy bill support scheme that identifies people in need of support. Our recommendations are:

- Government should accelerate departmental data-matching pilot schemes and cross-government programmes to combine existing datasets.
- Government should use upcoming primary legislation, notably the Energy Independence Bill, to enable sufficient data sharing.
- Ministers must set clear direction that accelerating data sharing is a strategic priority.

2

Reform and expand the Warm Home Discount

We asked respondents whether they believed a direct-discount model or a unit-rate model was the best form of energy bill support. While there were differing opinions, we believe that the benefits of a direct-discount model outweigh those of a unit-rate model. We recommend:

- Government should continue to use the Warm Home Discount as the basis for providing energy bill support, but reform and expand the scheme.

3

Fund the scheme through general taxation

Funding energy bill support schemes via energy bills is inherently regressive as it applies universally across incomes, meaning lower-income households spend a higher proportion of their income to fund these schemes. We recommend:

- The cost of expanding the Warm Home Discount should be paid for out of general taxation, and the legacy costs of the scheme should be moved from consumer bills into general taxation.

4

Implement a 'green passport' policy

Once we have sufficient data sharing capacity, this data should be used to inform other policy decisions. For example, the new Warm Homes Agency should proactively reach out to people with a 'green passport', or their landlords, to help upgrade their home and lower their bills. We recommend:

- Consumers in receipt of energy bill support should qualify for a 'green passport', to support them in receiving home upgrades to help lower their bills permanently.

Data Sharing

During the inquiry, data sharing and matching came up time and time again as the key challenge to developing a sufficient energy bill support scheme. Comprehensive data sharing requires several data points (health, income, and housing stock for example) to be available, and currently there is no single dataset. Government departments, arms length bodies, and energy companies have the data, but due to existing legislation, they are restricted on sharing this.

An estimated 2.5 million fuel poor households are excluded from the Warm Home Discount because of data sharing issues.²As the Warm Home Discount is only available to people on means tested benefits, other financially vulnerable groups can miss out when they should qualify for support. These groups include; low income households, people with disabilities and medical conditions, carers, people living in low energy efficiency homes, off-gas grid homes, households with prepayment meters, and single parent households. It may not be possible to capture everyone who needs support, but maximising coverage is crucial to developing a sufficient scheme.

More extensive data sharing would also help protect public finances with better targeting during energy crises. In the wake of the Ukraine War, the then government took emergency action to protect consumers against the rapid rise in energy costs. The cost of this support scheme was around £40bn, and EnergyUK data estimates if this was better targeted the cost would have been around £12.5bn instead.³ With sufficient data sharing, the UK would be much better placed to withstand economic shocks driven by wholesale energy costs.

Legislation

The Digital Economy Act 2017 provides certain capacity for data sharing for public interest purposes, but in practice, the existing legislation is not sufficient to deliver a targeted energy bill support scheme. Respondents to our inquiry were consistently clear that existing legislation is not able to facilitate data sharing, and that there are also limitations within core datasets that would be extremely challenging to overcome. For example, PAYE and self-assessment records do not require people to keep up to date address data, which would seriously constrain the ability to match data points.

There is ongoing cross-government work to combine datasets such as council tax, DWP, DVLA, HMRC, and the electoral roll. **Government should accelerate this along with ongoing DSIT and DESNZ data-matching pilot schemes.** Government should also use upcoming **primary legislation to introduce targeted amendments to enable sufficient data sharing** - the upcoming Energy Independence Bill is one such opportunity.

Lastly, **government ministers need to provide clear direction to the civil service that accelerating progress on data sharing is a key policy objective**, as a tool for tackling fuel poverty and alleviating the cost-of-living crisis.



Unit-Rate or Direct Discount

One of the fundamental decisions that needs to be made around the design of energy bill support is whether it is a unit rate discount, or a direct discount. There were mixed views from respondents on which approach would be better, with each approach having benefits and drawbacks.

Unit-Rate Discount

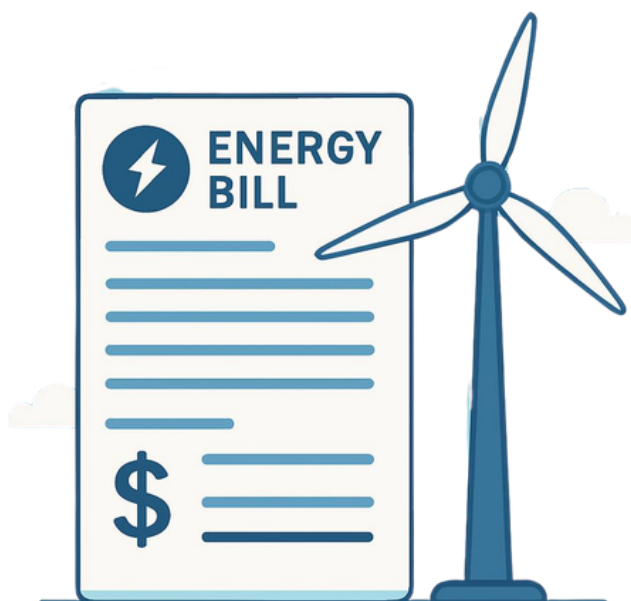
A unit-rate model is a form of energy bill support that provides a discount on the cost of energy per kWh used by a household. **Respondents to the inquiry listed the advantages of this model as:**

- This model scales with energy consumption, meaning that those with who need to use extra energy for health reasons or because they live in poorly insulated homes don't pay more.
- Unit-rate discounts are delivered at the point of use, which is more effective for prepayment meter households as it is less likely to be absorbed by accrued standing charge debt when households are off-supply or disconnected.
- It provides ongoing, predictable support for consumers, making it easier to manage bills over time instead of relying on seasonal payments, and is more responsive to price fluctuations.

Respondents to the inquiry listed the following as disadvantages to a unit-rate approach:

- Unit-rate discounts introduce fiscal uncertainty, as the cost to the Treasury can spike with high energy costs.
- It is year-round support so does not provide support when affordability pressures are highest - households in fuel poverty may remain vulnerable to high bills in winter.
- A unit-rate scheme would be administratively challenging for energy suppliers to deliver, especially if multiple tariffs are in use. There are also concerns around change of tenancy and ensuring that the occupant is eligible for the discount.
- A unit-rate discount reduces the incentives for consumers to seek out energy efficiency or green technology upgrades, or to benefit from cost reductions of a flexible energy system.
- Consumers who benefit from unit-rate discounts may be excluded from smart or innovative tariffs on the market - they risk missing out on the benefits of clean energy innovations while still bearing the costs.

It was also noted that while unit-rate discounts work well in other sectors, it would be more challenging due to the seasonality associated with energy consumption. Mobile phone and water discount tariffs work because usage is largely consistent. Energy use peaks with seasonal changes and makes implementation more challenging and costs more volatile.



Unit-Rate or Direct Discount

Direct Discount

The alternative approach to a unit-rate model is a direct discount approach. This is the model the government currently chooses to use with the Warm Home Discount, its vehicle of choice for providing energy bill support. In this model, those eligible receive £150 directly taken off their bills in winter. **Respondents listed the advantages of this model as:**

- Direct Discounts can be scheduled to coincide with high consumption and affordability pressures at winter - maximising cost effectiveness.
- Consumers still face the full marginal cost of energy so are incentivised to use energy efficiency measures and upgrade to clean technology solutions - this also benefits the wider transition to net zero.
- Consumers have much less complicated access to innovative and smart tariffs on the retail market and can take advantage of the benefits of flexibility in the energy market.
- Direct discounts are a proven delivery method with established reporting and assurance mechanisms, and there is no need to design a new energy bill support scheme from scratch.
- There is a set, guaranteed cost to the Treasury which helps with financial planning - especially in a constrained fiscal context.

Potential disadvantages of this approach:

- Direct discounts do not scale with need and may not provide sufficient support to people with high energy use needs.
- One-off, seasonal payments to consumers are much less consistent and do not provide year round energy bill support.
- If there is a spike in wholesale energy costs, direct discounts do not automatically scale to match the increase in prices.

Respondents also noted that while direct discounts do not automatically scale with energy cost spikes, they can be scaled by the Treasury to respond to wholesale price shocks - the payment could be temporarily increased to respond to a crisis.

Recommended Model

Based on the evidence submitted by respondents, wider research in this area, and other considerations, we are recommending a direct discount model is the best option going forward.

While there are concerns around people who have unavoidable high energy usage missing out on support, this can and should be offset in other ways.

From a fiscal perspective, research from Public First suggests that direct discount model of £400 would reduce fuel poverty similarly to a 30% unit-rate discount, while costing about £500 million less per year.⁴

Government should reform and expand the Warm Home Discount, which should be used as the basis for energy bill support going forward.

Funding and Costs

Funding

We recognise that we live in fiscally constrained times, and that competition for funding from HM Treasury is high. However, **we believe energy bill support must be funded from general taxation in the Treasury.** Funding policy programmes via consumer bills is socially regressive and disproportionately increases costs on poorer households. We also currently have a situation where **households in receipt of the Warm Home Discount are only around £110 net better off**, as they are still paying to fund the programme - for larger families in leakier homes who consume more energy, the net support will be even less.

On top of that, currently roughly half of consumer energy bills are wholesale energy costs, with the other half is made up of operating costs, network costs, policy levies, and VAT.⁵ We cannot afford to continue putting policy costs on consumer bills.

We believe that the costs of expanding the Warm Home Discount should be paid for out of general taxation, and as the fiscal conditions allow, the legacy costs of the Warm Home Discount should be moved off bills and into general taxation.

Cost of Energy Bill Support

EnergyUK modelling estimates that energy bill support that provides £400 per year to 3.17 million households in fuel poverty would cost £1.5bn per year.⁶ The fuel poverty gap is estimated to be £407 a year, so a £400 payment would see that fuel poverty gap essentially eliminated.⁷

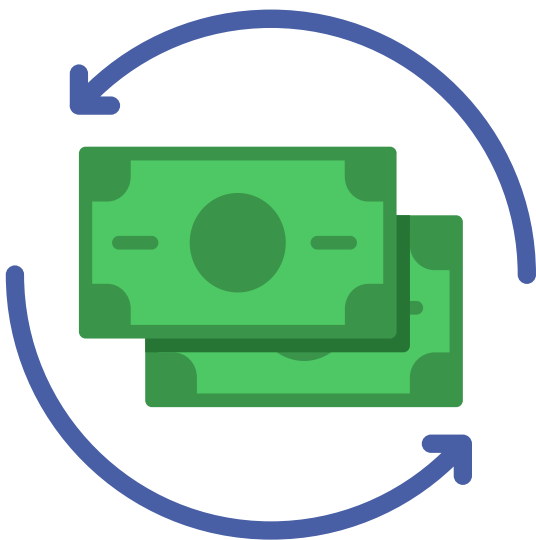
We believe that energy bill support should seek to eliminate the fuel poverty gap. As the fiscal situation allows, the payments should scale to meet this gap, with a payment of around £400 sufficient to meet the fuel poverty gap as it currently stands.

Any expansion to eligibility of the via data sharing and matching would increase the cost of the scheme further.

Cost of Debt Accumulation

Funding energy bill support via general taxation also has the benefit of reducing further debt accumulation in the energy system. The cost of servicing energy debt is added to consumer bills, so any further prevention of energy debt will in turn help keep energy bills down.

If funding for energy bill support schemes is moved to general taxation, this will hopefully reduce the amount of people falling into arrears and prevent further debt accumulation. As of November 2025, there was £4.4bn of energy debt in the UK retail market - a 20% increase from the same time in 2024 and a 71% increase from 2023.⁸ Ofgem estimates that in the worst case scenario, dealing with this bad debt will add £52 to the average energy bill.⁹



Green Passport

If we are able to design an energy bill support scheme that captures the vast majority of those who need the support, there is no reason why we cannot use this as the basis for other policy interventions. Someone living in fuel poverty is exactly the kind of person who should be receiving home upgrade grants and access to low-interest financing options, as will be made available via the Warm Homes Plan.

Qualifying for energy bill support should automatically grant you a 'green passport'. This means recipients would be prioritised for upgrades to bring down their bills.

This would require integration with the new Warm Homes Agency, who should be directed to reach out to people who qualify for a 'green passport', or be able to contact landlords on their behalf. This would need to be done in conjunction with more accurate targeting from better data sharing and matching.

As noted, one of the benefits of opting for a direct discount model is that it still incentivises people to take up energy efficiency or green technology home upgrades. However, generally people living in fuel poverty are less likely to have the time or money to engage with energy efficiency or green technology upgrades.¹⁰ **In this context, it is crucial that the incentives created by a direct discount model are linked up with tangible access to grants and financing options.**

By making it easier for those in fuel poverty to access this technology and home upgrades, you can bring down people's bills. In turn, this means creating a green passport will help to reduce the need for the energy bill support scheme it's tied to.



References

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About PRASEG

The All-Party Parliamentary Renewable & Sustainable Energy Group is led by Parliamentarians committed to advancing the energy transition. We seek to strengthen cross-party dialogue to build consensus by convening policymakers with industry, civil society and academics. We are supported by a network of organisations aligned to the decarbonisation agenda with expertise across the sector.

We would like to thank our supporters and Parliamentary members for their continued support and engagement.

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