National Audit Office

REPORT

# Energy bills support: an update

## Department for Energy Security & Net Zero

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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<br>£11,364 million for GB<br>£328 million for NI | In GB, it provided a **£400** non-repayable discount in six monthly instalments.<br>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.<br>Through vouchers that needed to be redeemed for traditional pre-payment meters. |
| **3 Alternative Fuel Payment – domestic (AFP domestic)** | **£533 million** in total<br>£369 million for GB<br>£164 million for NI | In GB, it provided a one-off payment of **£200.**<br>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.<br>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.<br>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.<br>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.