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Press release

## Government action to help hardworking people with energy bills

British households will benefit from proposals that will be worth £50 on average, thanks to government plans to reduce the impact of energy company price rises.

From:

[Department of Energy & Climate Change](#) and [The Rt Hon Edward Davey](#)

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- Households will see an average saving of £50 a year without reducing help to vulnerable households or sacrificing green commitments.
- Plus £1,000 to spend on energy saving measures when you move home – helping people cut their bills through energy efficiency; safeguarding green jobs.

British households will benefit from proposals that will be worth £50 on average, thanks to Government plans to reduce the impact of energy company bill rises. This builds on the help given to hard-working families through income tax cuts, the council tax freeze and the fuel duty freeze. While the Government cannot control the price of energy in the global market, it can help bill-payers by reducing the impact of social and environmental programmes on their bills.

So today the Government confirms it will reduce the current cost of levies by:

- Establishing a rebate saving the average customer £12 on their bill, for the next two years, worth a total of £600 million. The Warm Homes Discount will continue to help millions of vulnerable households receive a £135 rebate off their energy bill.

- Reducing the cost of the Energy Company Obligation (ECO), an insulation scheme delivered by major energy suppliers. This will result in £30-£35 off bills, on average, next year. The existing dedicated support in ECO for low income and vulnerable households will be maintained and extended from March 2015 until March 2017.

In addition, electricity distribution network companies are willing to take voluntary action to reduce network costs in 2014/15. This would allow a further one-off reduction of an average of around £5 on electricity bills, which energy suppliers will be able to pass on to their customers as well.

All of the major energy suppliers have confirmed that they will pass the benefits of this package to their customers. The reduction in individual household bills will depend on the energy supplier: Some companies have not yet announced price rises for 2014, or have limited their rise until the Government's review of green levies concluded. Others have announced price rises and have indicated that they will reduce their customers' bills as a result of these changes.

The value of the benefit will vary between companies, but, on average, this package, including VAT, will be worth £50 to households, compared to what would have happened without these changes.

The Government will also ensure that its overall approach is carbon neutral, with new measures that will boost energy efficiency even further by introducing new schemes for home-movers, landlords and public sector buildings, worth £540 million over three years:

- In future, when people buy a new home, they could get up to £1000 from the Government to spend on important energy-saving measures – equivalent to half the stamp duty on the average house – or up to £4000 for particularly expensive measures. The scheme will be available to all people moving house including those who don't pay stamp duty, helping around 60,000 homes a year, over three years.
- Government will also introduce a scheme to support private landlords in improving the energy efficiency of their properties, which will improve around 15,000 of the least energy efficient rental properties each year for three years. Together, the homebuyers and private rental schemes will be worth £450 million over three years.
- £90 million over three years will be spent improving the energy efficiency of schools, hospitals and other public sector buildings.

The Government will also increase the funds available to local authorities this year through Green Deal Communities from £20 million to £80 million, to help support 'street-by-street' programmes for hard-to-treat homes in a cost-effective way, and will keep the Green Deal cashback scheme open, which will protect jobs in the energy efficiency industry before the new measures take effect.

In order to provide investor certainty at a time when the UK needs unprecedented investment in energy security, levies providing support for existing low carbon energy projects will not change, such as the Renewables Obligation (RO), Contracts for

Difference (CfDs) and feed in tariffs (FITs). Without this investment, energy security would be jeopardised as Britain would become ever more dependent on imported oil and gas, and energy bills in the future would be increasingly subject to high and volatile fossil fuel prices.

Energy and Climate Change Secretary Edward Davey said: “Energy bills are a big concern for many people, which is why we’ve been working to reform the energy market, increase competition and make it easier for people to shop around and switch supplier. Today’s announcement confirms a serious, workable package which would save households around £50 on average.

“Today’s package also ensures that energy companies are not off the hook. They will keep up their efforts to help people in fuel poverty cut their bills by making sure their homes leak less heat, and they will have to be more transparent about what they’re spending on social and environmental measures. Next year, our competition test will forensically examine what more we can do to get prices down through ferocious competition.”

“This won’t affect our commitment to tackling dangerous climate change through reducing Britain’s CO2 emissions, which will be backed by £540 million in new investment to make sure Britain’s homes and public sector buildings are more energy efficient, permanently reducing their bills.”

## Notes to editors

The proposals announced today, on which Government will consult, include:

- A rebate of £12 on domestic electricity bills to be passed directly to customers, funded by the Government, for two years.
- A range of changes to ECO, including reducing the Carbon Emissions Reduction Obligation element of ECO by 33 per cent for the period to 2015, and setting a target for the period to 2017 reflecting this same level of activity.
- Maintaining the level of ECO activity currently directed at low income and vulnerable households and extending the same activity out to 2017 – this support is worth around £540m and assists around 230,000 households each year
- Including district heating schemes as a primary measure under the Carbon Obligation element of ECO, enabling whole communities to benefit from lower heating costs.
- In line with efforts to save as much as possible on people’s bills, allowing energy suppliers to insulate easy-to-treat cavity walls and lofts as part of their ECO carbon targets. However, they would still need to provide a minimum of 100,000 homes with solid wall insulation - a level that will not increase costs.
- Requiring the energy companies to be more transparent about how much they spend on social and environmental measures, either through voluntary agreements or through legislation.

The Green Deal, which is designed to work alongside ECO to make Britain’s homes more energy efficient, will be strengthened, streamlined and reformed. DECC is

today publishing improvements to the Green Deal that will make it more straightforward and less time-consuming for people to participate it, reducing time and cost for industry and making things simpler for consumers. Further improvements to the Green Deal will be announced early next year.

In addition, there will be £540 million in new incentives and support to boost take up of energy efficiency measures for both households and in the public sector. These measures will overall save around 2.7- 2.9 Mt of CO2 and ensure that the impact of the changes proposed is carbon neutral.

Plans were already in place to introduce minimum energy efficiency standards for private rental properties in 2018. As planned, the Government will consult on these standards in January. However, as part of this package and ahead of the introduction of minimum standards in 2018, the Government will make funding available through the Green Deal specifically to help landlords bring their properties up to minimum standards.

Measure	Estimated CO2 impact
Changes to ECO	2.7 -2.9 MT CO2 increase
£450 million over three years for energy efficiency incentives through the Green Deal (detail below):	Up to 1.8 MT CO2 saving
1. Stamp duty rebate worth up to £1000, or up to £4,000 for particularly expensive measures, available to all people moving house including those who don't pay stamp duty, helping around 60,000 homes a year over three years.	See Green Deal figure above

Measure	Estimated CO2 impact
2. Scheme to support private landlords in improving the energy efficiency of their properties, which it is anticipated will improve around 15,000 of the least energy efficient rental properties each year for three years.	See Green Deal figure above
Improving the energy efficiency of schools, hospitals and other public sector buildings with £90 million over three years for a loans scheme, building on the existing Salix scheme.	0.6 MT CO2 saving
Additional savings from transport policies to be announced shortly	At least 0.5 MT CO2 saving
<p>Immediately, the Government will incentivise energy companies to keep delivering hard-to-treat cavity and solid wall insulation. It will also increase the funds available to local authorities this year through Green Deal Communities from £20 million to £80 million, to help support 'street-by-street' programmes for hard-to-treat homes in a cost-effective way, and will keep the Green Deal cashback scheme open. Other changes to be consulted on that will help energy companies keep their costs down and pass those savings onto customers include:</p> <ul style="list-style-type: none"> <li>• Energy companies will be able to 'bank' any over-delivery against previous schemes and the current round of ECO against their 2015 and 2017 targets.</li> <li>• In addition, there will be incentives for quick delivery, which would save people money sooner. Energy companies that fall short of their new 2015 delivery targets will have their 2017 target increased by the same multiple.</li> <li>• Measures to prevent fraud, particularly around loft and easy-to-treat cavity wall insulation, will be introduced and standardised across the industry.</li> <li>• Energy companies will work towards offering ECO funding alongside Green Deal finance, which could increase the level of funding available to some consumers, and will reduce the costs of delivering ECO for suppliers.</li> </ul>	

The £50 savings are an estimate of average savings, based on suppliers' indication of how they would respond to the proposed package measures. Actual savings will vary by company.

Distribution network cost reductions would be the result of distribution network operators (DNOs) voluntarily opting to recover some of their costs over a longer timeframe, which suppliers have indicated that they are willing to pass on to their domestic customers.

DNOs own and operate the distribution network of towers and cables that bring electricity from the transmission network to homes and businesses, and are regulated by Ofgem.

Reductions would vary across the 14 distribution network regions in Great Britain based on what costs DNOs are able to defer.

The way DNO reductions are delivered is a matter for the DNOs, the suppliers and Ofgem, within the existing regulatory framework.

The £50 average bill saving and the Government's proposals on ECO will apply in England, Wales and Scotland. Separate arrangements apply in Northern Ireland.

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